

JOYCE MOULLAKIS and CHRIS WRIGHT

THE MILLIONAIRES' FACTORY

THE INSIDE STORY OF HOW
MACQUARIE BANK BECAME A GLOBAL GIANT


ALLEN & UNWIN
SYDNEY • MELBOURNE • AUCKLAND • LONDON



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The information found here accompanies the book
The Millionaires' Factory by Joyce Moullakis and
Chris Wright. It includes the glossary and the chapter
notes. *The Millionaires' Factory* is available in print
and ebook editions from booksellers.

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

ABC	Australian Broadcasting Corporation
AEP	Allco Equity Partners
AFR	Australian Financial Review
AGM	Annual General Meeting
APRA	Australian Prudential Regulation Authority
AREH	Asian Renewable Energy Hub
ASC	Australian Securities Commission
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange (until 2006); Australian Securities Exchange (2006 onwards).
ATO	Australian Taxation Office
BCIMC	British Columbia Investment Management Corporation
BFS	Banking and Financial Services
BHP	Broken Hill Proprietary
BT/BTIB	Bankers Trust/Bankers Trust Investment Bank
CAF	Corporate and Asset Finance
CBD	central business district
CDO	collateralised debt obligation
CDPQ	Caisse de dépôt et placement du Québec

CDS	credit default swap
CEW	Chief Executive Women
CFO	chief financial officer
CGM	Commodities and Global Markets
CMA	cash management account
CMT	Cash Management Trust
COO	chief operating officer
CPI	consumer price index
CPU	central processing unit
DCM	debt capital markets
EBITDA	earnings before interest, taxes, depreciation, and amortisation
ECM	equity capital markets
EMEA	Europe, the Middle East and Africa
ESG	environmental, social, governance
ETF	exchange-traded funds
EU	enforceable undertaking
FBO	fixed base operations
FIBRA	Fideicomiso de Inversion en Bienes Raices (a Mexican real estate investment trust)
FSHD	facioscapulohumeral muscular dystrophy
FSS	Financial Supervisory Service (in South Korea)
GFC	global financial crisis
GIB	Green Investment Bank
GIG	Green Investment Group
HR	human resources
IMF	International Monetary Fund
IPO	initial public offering
IPTA	Industrial Property Trust of Australia
IT	information technology
ITA	Infrastructure Trust of Australia
KOSPI	Korea Composite Stock Price Index
LNG	liquefied natural gas
LSE	London Stock Exchange
M&A	mergers and acquisitions
MAIF	Macquarie Asia Infrastructure Fund

MAM Macquarie Asset Management
MAp Macquarie Airports
MCIG Macquarie Communications Infrastructure Group
MCW Macquarie CountryWide Trust
MEAP Macquarie Essential Assets Partnership
MEIF Macquarie European Infrastructure Funds
MEL Macquarie Equities Limited
MFG Macquarie Funds Group
MIC Macquarie Infrastructure Corporation
MIG Macquarie Infrastructure Group
MIP Macquarie Infrastructure Partners
MIRA Macquarie Infrastructure and Real Assets
MKIF Macquarie Korea Infrastructure Fund
MPW Macquarie Private Wealth
NAB National Australia Bank
NOHC non-operating holding company
NSW New South Wales
OECD Organisation for Economic Co-operation and Development
OBU offshore banking units
OTPP Ontario Teachers' Pension Plan
PBL Publishing and Broadcasting Limited
PPP public-private partnership
PR public relations
QC Queen's Counsel
RBA Reserve Bank of Australia
RBS Royal Bank of Scotland
REIT real estate investment trust
S&P Standard and Poor's
SARS Severe acute respiratory syndrome
SEATS Stock Exchange Automated Trading System
TARP Troubled Asset Relief Program
TMT technology, media, and telecom
VP vice-president
WTC World Trade Center

NOTES

Prologue

- 1 Macquarie recorded net profit for FY2021 of A\$3.015 billion, up 10 per cent year on year.
- 2 In truth the windfall wasn't just from the storm; the performance of that business would likely have required a re-forecast anyway. 'The reality, which was not well understood, was that we were getting to the point where we were going to beat our forecast and then that event took place,' says O'Kane. 'And then we re-forecast the entire CGM forecast for the rest of the year, and then for Macquarie Group. Everyone forgets that, to that point, the rest of the business had actually outperformed . . . people think the only thing that helped you outperform that year was the storm. That's a bit unfortunate. But those are the disclosure rules.'
- 3 See page 12 <https://www.macquarie.com/assets/macq/investor/results-and-presentations/2022/macquarie-group-fy22-presentation.pdf>
- 4 We don't make this comparison idly. Macquarie's the tree, Commodities and Global Markets is the arm, commodities the branch, US energy the twig, natural gas transmission the shoot.
- 5 30 September 2022. Shareholders' equity refers to the total that the owners of a company have invested in the business, including paid-in capital and retained earnings. This figure has grown dramatically—from A\$24.1 billion on 30 September 2021—as a consequence of equity raisings through and after the Covid-19 pandemic, high levels of retained earnings, and foreign exchange benefits from the strong US dollar.
- 6 At the time of writing its all-time high close was at A\$215.73 on 5 January 2022. At the time that inferred a market cap of over A\$80 billion.

- 7 That's Stan Owens as chairman of Hill Samuel Australia and then David Clarke and Mark Johnson as joint managing directors, followed by Tony Berg, Allan Moss, Nicholas Moore and Shemara Wikramanayake as CEOs.
- 8 This term leads to a bracing discussion about apostrophes. Since the phrase first appeared in the Australian media, it is mostly used with an apostrophe after the S: this is commonplace in references in the *Australian Financial Review*, *The Australian* and *The Sydney Morning Herald*, for example. However, it implies a factory owned by millionaires.

There is an argument for ditching both the apostrophe and the S, implying a factory that *makes* millionaires: the millionaire factory, like a car factory. Early use of the term, such as in reports from the ABC in 2005 and *Crikey* in 2006, take this form. More time has been spent debating this than is healthy. See <https://www.abc.net.au/am/content/2005/s1403805.htm> and <https://www.crikey.com.au/2006/08/21/is-the-macquarie-model-losing-its-lustre/>. Stephen Mayne, *Crikey's* founder, may have coined the term.

Chapter 1: Beginnings

- 1 Clare College, Cambridge.
- 2 Hill Samuel was formed in 1965 when M Samuel & Co, a bank controlled by the founding family of oil company Shell, merged with Philip Hill Higginson. The origins of its legacy businesses dated back to 1831.
- 3 James Wolfensohn would go on to become the ninth president of the World Bank. <https://www.worldbank.org/en/archive/history/past-presidents/james-david-wolfensohn>
- 4 Mineral Securities was a heavily indebted mining group that had made a series of bets that went awry.
- 5 <https://www.rba.gov.au/mkt-operations/ex-rate-rba-role-fx-mkt.html>
- 6 <https://hbswk.hbs.edu/item/chris-christensen-legend-of-the-classroom#:~:text=Professor%20C.,and%20his%20students%20better%20leaders.> He was dubbed the maestro of Harvard Business School's case method of teaching.
- 7 A Wall Street brokerage that has since been absorbed into American Express. Berg was there from 1970 to 1972.
- 8 <https://chiko.com.au/>
- 9 Profit declined to A\$107,000 for the year ended 31 March 1974, from A\$311,000 in the prior 12 months.
- 10 Under John Gerahty.
- 11 James Graham would go later on to join the board of Wesfarmers in 1998 and became its chairman thereafter.

- 12 CSBP had snapped up competitor Cresco seven years earlier.
- 13 Hill Samuel & Co had offices in Hong Kong, South Africa, Ireland, the Channel Islands, Switzerland, West Germany, and representative offices in Brazil and the US.
- 14 A\$766,000 consolidated income in the 1977 financial year, A\$862,000 in 1978, then a dramatic growth over the million dollar mark to A\$1,586,000 in 1979.
- 15 By 1979 it was a pocket watch under the headline 'It's time you knew what makes us tick.'
- 16 'We started with a million dollars and good backing from London—their expertise was only a telex message or a telephone call away,' Owens wrote.

Chapter 2: Changing winds and the opportunity of a lifetime

- 1 Paul Keating to Parliament, 15 September 1977, http://historichansard.net/hofreps/1977/19770915_reps_30_hor106/
- 2 In a speech called *Macquarie Bank: Adapting to Change* to the Australian Business Economists, Wednesday 20 June 1984, Menzies Hotel Sydney.
- 3 November 1975 to March 1983.
- 4 Formally the Australian Financial System Inquiry 1979, announced by John Howard on 18 January 1979. Besides Campbell, its other members were A.W. Coates, general manager of AMP Society; financial adviser K.W. Halkerston; R.G. McCrossin, general manager of Australian Resources Development Bank Limited; and J.S. Mallyon, chief manager of the Reserve Bank of Australia. F. Argy, formerly the First Assistant Secretary of the Department of the Treasury, was appointed Secretary. Keith Halkerston would go on to have a close association with Hill Samuel Australia, selling his design for a cash management trust to the firm.
- 5 <https://treasury.gov.au/sites/default/files/2019-03/p1981-fsi-Chpt1-12.pdf>. Delivered 29 September 1981.
- 6 More specifically, it recommended all existing controls on banks—including interest rate controls capping rates on loans and deposits, maturity controls which stopped them from accepting many interest-bearing deposits, lending controls which limited growth of their advances, and reserve asset controls which required them to lodge a proportion of reserves with the Reserve Bank as government securities—be axed.

It also recommended making it far easier to gain a licence to enter the banking sector, and a rescindment of an embargo on entry by overseas organisations, albeit with a limited number of licences. There were also recommendations related to financing Australia's vital rural and farming sector.

- 7 Troy Bramston, *Paul Keating: The Big Picture Leader*, Scribe, 2016.
- 8 Announced 29 May 1983.
- 9 Bramston.
- 10 Bramston.
- 11 The question of the driving force in this process, Hawke or Keating, is a long debate that need not detain us but is examined in detail in Bramston's book. Keating held the press conference at 5 pm on 12 December 1983 to announce it, saying: 'The decision to float means that the speculators will now be speculating against themselves rather than against the Australian government.' From now on, he said, banks, corporations and individuals would be able to buy and sell foreign exchange in an open market at whatever price they wanted. 'No longer would senior officials determine the exchange rate within guidelines set by cabinet.' (Bramston)
- 12 Bramston.
- 13 24 August 1984.
- 14 In fact, from 1978 the growth was exponential for several years. Consolidated after-tax profit was A\$862,000 in 1978, A\$1,586,000 in 1979, A\$3,283,000 in 1980 and A\$6,570,000 in 1981 (or 'after tax profits before extraordinary profit, A\$5,021,000').
- 15 31 March 1980.
- 16 Elsewhere in Australia, by 1980 Macquarie had offices at 367 Collins Street, Melbourne, and 307 Queen Street, Brisbane, as well as representative offices at 202 Margaret Street, Toowoomba, 80 King William Street, South Australia, and 111 St George's Terrace, Perth.
- 17 Others included Associated Pulp & Paper Mills, Australian Newsprint Mills, John Lysaght, WR Carpenter and MEPC Australia.
- 18 In 1982, Hill Samuel Australia worked with Westfield to create a new trust that was then floated on public markets.
- 19 . . . offering corporate foreign currency risk management services, consulting and advisory, short and long-term hedging of currency risk, parallel loans, commodity-based trade finance, foreign currency arbitrage facilities, bullion dealing and futures trading.
- 20 Under Phil Cave, who joined as an executive director in 1983.
- 21 Clive Carroll joined in 1978 and became head of the bullion and commodities unit in 1984.
- 22 The importance of bullion was reflected in the creation of a Bullion and Commodities Division under Clive Carroll in the 1984 financial year, when the group was beginning to prepare to be a bank with its own licence. At the same time a Corporate Lending Division was formalised under Phil Cave and Bob Illman, and the Financial Management Division was created under Allan Moss.
- 23 See <https://adb.anu.edu.au/biography/halkerston-keith-william-16713>

- 24 <https://www.nytimes.com/1981/05/18/business/merrill-lynch-s-cma-boom.html?smid=url-share>. Firms including Dean Witter Reynolds, Shearson Loeb Rhoades and Advest Group were at the time considering following Merrill into the cash management account market.
- 25 David Adams would go on to lead the Banking and Investment Services division.
- 26 \$634 million in 2022 inflation-adjusted terms, according to the Reserve Bank of Australia inflation calculator.
- 27 1983 annual report.
- 28 During the 2004–05 financial year.
- 29 Owens wrote about it in the 1982 annual report:
‘If the Committee’s recommendations are implemented there will be far reaching changes to the structure of the Australian financial system; the rules of the game will be radically different. With less regulation of the new financial system, there will be greater competition, leading to the emergence of new winners and losers.’ This would mean competition between trading banks and non-bank financial intermediaries like Hill Samuel Australia, he reasoned, and greater competition overall ‘for the trading banks which, to this point, have enjoyed positions of considerable advantage.’ A good thing, he felt.
‘We believe that the users of Australia’s financial system will be better served if the banks are deregulated and if, at the same time, banking licences are granted to institutions which have a proven capacity to compete successfully if given equal opportunity to do so.’
- 30 It continued: ‘We have demonstrated an ability to introduce new products, provide better levels of service and establish competitive market leadership in a wide range of financial products and services. Possession of a banking licence will enable us to make a much wider and more enriching contribution to our clients and towards the further development of Australia’s financial system.’
- 31 Bank of NSW, Australia’s first bank, was established in 1817 under a charter signed by the then-colony’s governor, one Lachlan Macquarie, whose name Hill Samuel Australia would take.
- 32 This refers to someone who is chairman of the company but continues to work as an executive member of staff at the same time.
- 33 From 2003 to 2011, Graeme Samuel headed the Australian Competition & Consumer Commission.
- 34 An Australian brokerage firm, now Bell Potter Securities.
- 35 One of the ironies of the vast effort that followed is that it may never have been necessary. On 27 February 1985 Keating advised that he had received 42 applications, and he would end up accepting 16. With that many on offer, Hill Samuel might have got in on a foreign licence after all.

- 36 Specifically, they did so in the foreign exchange markets in the time before the float of the Australian dollar, when the market worked on a margin basis, which had different settlement obligations to a freely floating currency. When the Australian dollar floated, settlement was at face value like everywhere else in the world, which would make the problem with limits unworkable.
- 37 Hewson would go on to become leader of the Liberal Party, losing the so-called 'unlosable' 1993 federal election to Paul Keating.
- 38 Clarke's speech at the Menzies. The Application for Authority to Carry on Business as an Australian Trading Bank would run to 148 pages when complete.
- 39 The Big Bang refers to the deregulation of the UK's financial markets, which came into effect on 27 October 1986. Among other things it abolished fixed commission charges and the distinction between brokers who acted as agents for clients and jobbers who made markets. Perhaps most significantly, it ended the exclusion of foreigners from London Stock Exchange membership. In its aftermath, most old British financial services firms were taken over by large banks, many of them foreign.
- 40 Other problems included the fact that risk gearing levels were notably different between the UK and Australia, which would either mean the parent having to commit additional capital or the Australians having to rein in their activity; and the Bank of England expecting Hill Samuel London to exercise prudential supervision over Hill Samuel Australia, which would become more complex under a trading bank licence.
- 41 The deal was eventually struck with Hill Samuel & Co holding 9.9 per cent of the voting capital and 30 per cent total interest including non-voting shares, with a commitment for those non-voting shares to be converted to voting shares and sold to Australian investors within seven years. In fact, they ended up going to the Sultan of Brunei first—but that's another story we'll get to later.
- 42 Pooley was Head of the Finance and Investment Division of the Australian Treasury.
- 43 The final numbers, disclosed in Macquarie's first annual report under its new name in 1985, showed Hill Samuel & Co held 34.5 per cent of fully paid shares, or 29.8 per cent of total capital including partly paid shares issued to management, but 9.99 per cent of voting shares in terms of beneficial ownership.
- 44 The deal worked like this. Hill Samuel & Co ensured Hill Samuel Australia had net tangible assets at transfer date of \$30 million, while Macquarie Bank Limited's initial net tangible assets would be \$50 million, made up of that \$30 million plus \$20 million of cash retained from the placement of MBL shares to institutions. Hill Samuel & Co sold

the whole of the capital of HSA to MBL for cash and MBL shares. In order to eliminate goodwill in the MBL balance sheet, the MBL shares were issued to Hill Samuel & Co at a lower price than the issue price to institutions.

All of this involved HSA being valued at \$55 million, which added to the \$20 million retained cash from the share placement gave MBL an overall value of \$75 million.

- 45 Crawford spearheaded the raising while David Adams also joined the team that was working on the process to transition to a bank.
- 46 Sheppard's memory is exceptional. The placement of MBL shares to institutional investors raised \$43.7 million by the issue of 23,856,330 voting shares of \$1 each but, given the overall deal structure outlined in the footnote above, that worked out at an effective issue price of \$1.83 per share. Both footnotes taken from *Invitation to Become a Founding Shareholder*, 1984.
- 47 All four of those held 9.99 per cent, as did APA Holdings. The other holders were Colonial Mutual Life Assurance Society, with 6.41 per cent; State Government Insurance Commission (SA), Haematite Limited, Commercial Union Assurance Company of Australia and Chamber of Manufactures [*sic*] Insurance, each with 5.35 per cent; Argo Investments, with 1.84 per cent; and Permanent Trustee Co Limited, with 0.36 per cent. Then there's one other crucial entry: Management and staff of Macquarie Bank Limited: 9.99 per cent.
- 48 *Invitation to Become a Founding Shareholder*, 1984.
- 49 'In order to take advantage of the opportunities offered by deregulation, Hill Samuel submitted a proposal to the Treasurer for the formation of a new substantially Australian owned and controlled trading bank to be called Macquarie Bank Limited. The bank would continue all the activities for which Hill Samuel has become well known, as well as expanding into traditional and new activities.'
- 50 The Treasurer indicated that 'the proposal as it has now developed would appear to be broadly consistent with the existing policy on participation in banking, and as such, I believe it may be capable of being developed to a point where a recommendation could be made by the government for the granting of a banking authority'.
- 51 <https://Australian.museum/about/history/exhibitions/trailblazers/matthew-flinders/>
- 52 Ludwig Leichhardt set out to cross the Australian continent from east to west in 1846 and was never seen again. Robert O'Hara Burke and William John Wills crossed Australia south to north, from Melbourne to the Gulf of Carpentaria, but died on the return journey in June 1861.
- 53 Wednesday 20 June 1984.

- 54 Bank of New South Wales, established in Sydney in 1817, which would eventually become Westpac in 1982.
- 55 The Holey Dollar was a great symbol of innovation, but it didn't actually last all that long. According to the National Museum Australia, the first Spanish coins arrived in November 1812 and it took a year to mint them all, with the first batch of new coins delivered on 25 February 1814. The New South Wales colonial administration started recalling them in 1822 in order to replace them with sterling coinage, and by the time the Holey Dollar was formally demonetised in 1829 most of the 40,000 coins in circulation had been exchanged for legal tender and melted down into bullion anyway. <https://www.nma.gov.au/explore/collection/highlights/holey-dollar>
- 56 Australian Business Economists speech, Menzies Hotel Sydney, Wednesday 20 June 1984.

Chapter 3: Deals, horns and the crash

- 1 The 1989 Macquarie annual report highlighted the introduction of 24-hour foreign exchange trading, saying the move recognised the importance of global markets to Australia's currency.
- 2 Macquarie's 1986 annual report—which highlighted the firm now ranked within the top five on the volume of currency transactions it handled—also crowed about the move to 24-hour trading.
‘This has proved to be a major success and further strengthened the corporate trading base in the foreign exchange area,’ it said.
- 3 The 1987 annual report notes it was a US\$300 million multi-option aircraft financing facility for Australian Airlines.
- 4 <https://www.rba.gov.au/statistics/cash-rate/>; see statistical table F1.
- 5 1986 annual report.
- 6 <https://www.bhp.com/about/our-history>
- 7 The Melbourne Hilton Hotel was at the time by the city's convention centre and close to the Melbourne Cricket Ground.
- 8 After a series of mergers and name changes, the law firm is now called Lavan.
- 9 <https://www.theaustralian.com.au/business/leadership/listening-the-key-to-brian-lotons-success-at-bhp/news-story/10ee685d5e6a3e9fc73822c42d4efda3>
- 10 <https://www.nytimes.com/1990/09/03/obituaries/robert-holmes-a-court-53-dies-Australian-built-business-empire.html>
- 11 Elders traced its roots to Scotsman Alexander Elder in 1839.
- 12 A cashbox refers to a vehicle in which funds are raised without a clearly stated purpose for those funds at the time of raising. The idea is that investors trust the managers to make great investments when they arise. Cashboxes were banned on the Australian Stock Exchange for a time.

- 13 <https://www.grantsamuel.com.au/about-us/who-we-are/>
- 14 <https://www.afr.com/politics/a-month-that-skase-would-rather-forget-19891024-k3mye>
- 15 Christopher Skase died in Majorca in 2001.
- 16 <https://museum.wa.gov.au/research/collections/australia-ii/maritime-history-boats-and-watercraft/australia-ii-1983-winner-ame#:~:text=On%2026%20September%201983%2C%20the,by%20former%20businessman%20Alan%20Bond>
- 17 Black Monday crash: big spenders caught on borrowed time (theAustralian.com.au).
- 18 Net profit printed at A\$13 million. Shareholders' funds as at 31 March 1986 were A\$63 million and total assets amounted to A\$891 million.
- 19 Fred Hilmer joined the Macquarie board in 1990, while Helen Nugent became a non-executive director in 1999. Hilmer also chaired Australia's landmark National Competition Policy Review Committee in the early 1990s, which triggered sweeping reforms in competition policy. He was CEO of media and newspaper giant John Fairfax Holdings for seven years until 2005 and went on to hold numerous academic posts, including vice-chancellor of the University of NSW, and board roles for major Australian-listed companies such as Westfield.

Nugent would also have an extensive corporate and board career after her time as a consultant. She served as director of strategy at major Australian bank Westpac for five years until 1999, and has held a string of board roles including at Origin Energy, Ausgrid, Veda, Australia Post and Sydney Airport ahead of chairing the National Disability Insurance Scheme until late 2021. She has also chaired two major government inquiries into the performing arts.
- 20 John Caldon had a long stint at Macquarie including in structured finance, as head of Macquarie Corporate Finance, joint chairman of Macquarie Underwriting and joint deputy managing director.
- 21 In 1987, the Reserve Bank would also permit Macquarie to move to a lower capital ratio of 6 per cent from 6.5 per cent. The 1988 report said at the time Macquarie remained 'the only bank' of the newly licensed crop to have been permitted to reduce its capital requirement.
- 22 The 1992 annual report refers to the business ethics document, released before the 1987 share market crash, which had also become part of induction and training for staff.
- 23 Clarke's statement went on to say: '... consequently we have been, and will continue to be, particularly vigilant in order to protect the Bank against the inevitable shakeout when it comes.'
- 24 <https://www.federalreservehistory.org/essays/stock-market-crash-of-1987>
- 25 The 1987 annual report said Macquarie would continue to be

‘particularly vigilant’ to protect the bank against an ‘inevitable market shake out’.

- 26 <https://www.federalreservehistory.org/essays/stock-market-crash-of-1929>
- 27 <https://www2.asx.com.au/about/asx-story>
- 28 SEATS is short for the Stock Exchange Automated Trading System. That system would ultimately spell the end of the ‘chalkies’ who until then had been the front line of the stockbroking world, documenting what the operators were yelling about stock orders.
- 29 That represented a 25.8 per cent return on average shareholder’s funds and 2.2 per cent on average total assets.
- 30 The trust was called Macquarie Property Trust and it was formed to develop a portfolio of major property investments.
- 31 The stockbroking associate was called EL Davis & Co and then Macquarie Davis.
- 32 Mark Johnson led Corporate Services, Richard Sheppard Corporate Banking and David Adams Investment Services. Operations at this time was run by Julian Beaumont.
- 33 Seminars spanned cities including Sydney, Melbourne and Canberra.
- 34 ‘This year’s record balance of payments deficit, a higher inflation rate than our trading partners and rapidly increasing interest rates combined with strong movements in the Australian dollar are all causes for concern,’ the annual report also said.

Chapter 4: Roads, fees and BT in the Allan Moss nineties

- 1 In those days, though, some of Macquarie’s newer outposts were still not set up for computer-generated projections.
- 2 Irene Moss has been Commissioner of the Independent Commission Against Corruption, the New South Wales Ombudsman, and the Federal Race Discrimination Commissioner for the Human Rights and Equal Opportunity Commission.
- 3 From 1 July 1998, the Australian Securities and Investments Commission (ASIC).
- 4 Like many, Bill Moss would collide with Berg sometimes on risk decisions—or the culture he represented. ‘There’s always someone running credit who is hard-nosed, difficult to get on with, wants a confrontation and rejects things,’ he says. ‘But what I found out later was that Tony was really behind it, encouraging them to challenge you and push you to see if you really believed in something.’
- 5 Ben Bruck, who joined under Berg and would go on to have a successful 30-year career at Macquarie, found Berg’s instincts and rigour towards risk exceptional. ‘He had this really good sense of what sounded right

and what sounded not so right.

One of his tenets was that we shouldn't go overseas unless we had extraordinary competitive advantage. And so under his tenure we tended to stay focused on Australia and to avoid things that were really outside the box.'

- 6 Though they hold a certain iconic position in Australia, Jaffas are actually British.
- 7 House prices fell 10 per cent in Melbourne and 9 per cent in Sydney between 1989 and 1991. <https://www.afr.com/wealth/personal-finance/property-lessons-from-1990s-recession-20201109-p56cry>
- 8 Not counting one of the Hill Samuel Australia years.
- 9 1990: \$43.6 million profit after tax, up 43 per cent year on year, a return of 25.5 per cent on average shareholders' funds. 1991: \$52.9 million, up 21.4 per cent, and a 24.6 per cent return on average shareholders' funds. 1992 was a record in pre-tax profit, at \$74.6 million, but a higher income tax provision reduced the after-tax profit to \$47.2 million, down 11 per cent year on year. That would be the first ever decline in profits at Macquarie (though there had also been a year of decline as Hill Samuel Australia).
- 10 1991 annual report.
- 11 The 1992 annual report includes a detailed section on the Financial Packaging Group, which illustrates how important it had already become. By then, the group was handling financial advisory on debt raising, project finance, debt restructuring, German cross-border leases, Japanese leveraged leases for telecoms equipment and shipping containers, structured debt facilities, guarantee facilities and cross-border preference share issues. This section says the group pioneered cross-border leveraged leasing on telecommunications equipment out of the Swedish and Japanese markets, including the first such leases done into Australasia and subsequently into Europe. Others included the first fully funded Japanese lease on non-aircraft equipment into the USA and the first ownership leases between the USA and Australia. This section also includes an early mention of a power plant that would become very important to the Macquarie story: Loy Yang B, the first major privatisation of power generation in Australia, upon which Macquarie advised Mission Energy.
- 12 These leases were successful because they involved two owners of an aircraft, which allowed for two separate tax deductions, one each in Australia and Japan, on the same machine. The art of the process was to work through the documentation in order to prove it was owned by both parties in both countries. There would eventually be a transaction with three owners in three countries.
- 13 Oliver's older brother Peter, with whom he won this deal, thinks the

- objection may have been more about the credit quality of their new client. 'There was pushback, not because it was an international client, but because the first client we were so stupid to propose was rated something like triple C,' he says. 'That got us the dummies award.'
- 14 Ironically, two of those challenges were that it was listed and international, two attributes he had pushed back against at Macquarie.
 - 15 \$73.9 million after tax, up 23.6 per cent.
 - 16 Full disclosure: *Euromoney* magazine is co-author Chris Wright's employer.
 - 17 'Evolving in unison' is taken from the 1994 annual report, which takes an evolutionary theme, with the skeleton of a logo within the Holey Dollar logo on the cover. It is intended to allude to Darwin's *Origin of Species* from 1859, but it also bears more than a passing resemblance to Ridley Scott's *Alien* of 1979.
 - 18 Starting with a US\$50 million 10-year sub debt issue off the program.
 - 19 Today it supplies half of Victoria's electricity requirements and is the mainland connection point for the Basslink cable to Tasmania.
 - 20 The best known at this time was selling State Bank of Victoria to Commonwealth Bank in 1991.
 - 21 See the 1992 and 1993 annual reports. In 1992 the report refers to advising Mission Energy on a bid for a 40 per cent interest, and refers to a A\$1.4 billion transaction. In 1993 the figures have changed slightly: 'One of the rules during the year was the largest A\$ financing ever completed in Australia, the purchase by Mission Energy of 51 per cent of the Loy Yang B Power Station in Victoria. This was successfully completed through the ability of the Group to resolve a wide range of issues.'
 - 22 Of particular relevance, NSW Premier Nick Greiner, in office from 1988 to 1992, championed the idea of public-private partnership in road development in Sydney, with the M4 and M5 created in the time of his government.
 - 23 Today Australia's superannuation funds hold more than A\$3 trillion, one of the largest institutional asset pools in the world, and wildly out of step with the size of the national population. Superannuation funds today are among the most sophisticated institutional investors—and frequent investment partners with Macquarie in infrastructure.
 - 24 These were introduced by the Infrastructure Borrowings provisions of the *Development Allowance Authority Act 1992*. They would be ended by the *Taxation Laws Amendment (Infrastructure Borrowings) Act 1997*, which abolished their tax concession. It did so, according to Parliamentary papers, because 'the IBs tax concession was not achieving its intended objectives. Schemes were being proposed that exploited the

concession for tax minimisation purposes. Such schemes, if allowed to proceed, would have substantially increased the value of the tax benefits being captured by financiers and tax planners without a commensurate increase in funding for genuine private sector infrastructure projects.’

https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Completed_inquiries/Pre1999/tlaib97/report/c01

- 25 By the time Peter Costello axed them in 1997, jaded by tax-aggressive financing arrangements, the government calculated it had received applications for 98 projects. That reflected borrowings of at least A\$28.2 billion, with a revenue cost of more than A\$4 billion.

Between 1994 and 30 June 1996, the Development Allowance Authority issued certificates for twelve infrastructure borrowing projects with a total borrowing of \$4 billion. As of 30 June 1996 it had six applications on hand with total borrowings of at least \$2.6 billion, and then received applications for a further 71 projects with estimated borrowings of around \$21.6 billion in the six weeks up to the 1996–97 budget. ‘If all these applications were certified, the revenue cost over the period 1996–97 has been estimated to exceed \$4 billion.’ https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Completed_inquiries/Pre1999/tlaib97/report/c01

- 26 He had worked on toll road deals with Westpac (Sydney Harbour Tunnel and the M4 bid) and Wardley (the M5 bid).
- 27 To make this booklet, the team took the construction cost and traffic forecasts from the Environmental Impact Statement (EIS), made assumptions on operating costs in the financial markets of the day, and crunched the numbers. Macquarie’s model suggested a government subsidy of about \$100 million would be needed to get a private owner to finance the M2 construction; Abigroup would win the tender with a zero subsidy, as its construction cost was significantly lower than the EIS estimate, the traffic forecast was significantly higher, and interest rates had fallen, Salisbury recalls.
- 28 At opening, the motorway would be owned by the Hills Motorway Group, which in turn would be owned 26.7 per cent by Colonial First State, 8.1 per cent Abigroup, 8.1 per cent Obayashi Corporation, and other stakes held by Mercantile Mutual, Portfolio Partners and AMP Limited.
- 29 Best recalls some institutions being visionary about the future, Greg Perry from First State being an example, telling him: ‘it’s going to take two and a half years to build it, so the only way we’re going to be able to give you a return is by over-raising and giving you your money back through an infrastructure bond structure.’

This logic had its origins in the group’s expertise in tax and leasing;

in leasing transactions, equity holders get the primary tax benefits. Caldon came to realise that infrastructure deals looked strikingly like tax-based leasing, but that the tax implications were much larger in infrastructure because the long construction period led to massive interest deductions, and the government encouraged tax-advantaged private investment through infrastructure bonds.

- 30 When it did list, performance was initially bleak as traffic failed to live up to projections. That wouldn't last: eventually the whole motorway would have to be widened to an extra lane to meet demand.
- 31 The 1994 report refers to a \$155 million equity commitment to support the successful bid for the Hills Motorway Consortium for the M2. 'This will be a landmark infrastructure transaction in Australia as it is the first project that has accessed the international equity market for substantial equity funding,' it said. The same year, Macquarie became part of a consortium to advise the Victorian government on the restructuring of the Victorian electricity supply industry; closed debt and equity financing for Hydroco Consortium, with Transfield and others, to develop three hydro projects in NSW; and advised the Tasmanian Treasury on the sale of 25 per cent of Tasmania's generation capacity to Comalco. Infrastructure work was gathering pace.
- 32 Ultimately, the funding involved two stapled securities—that is, inseparable—both issued by Hills Motorway Group, which represented the consortium. There were units in Hills Motorway Trust and Hills Motorway Ltd. The trust was managed by Hills Motorway Management, which was a wholly owned subsidiary of Macquarie Bank. The trust leased the land for the M2 from the Roads and Traffic Authority for a rental fee, whose payment was deferred towards the end of the concession period.

The trust, in turn, issued inflation-linked bonds to create a debt financing source for the project.

- 33 Patronage assets are infrastructure assets which do not have a fixed contract but are exposed to public usage, such as tollways and airports.
- 34 This point is not unique to Hills, Moore says, nor even tollways, but more broadly the privatisation of Western governments following the reforms of Thatcher and Reagan in the UK and USA, and Hawke and Keating in Australia.
- 35 The deal was one of *Asiamoney* magazine's deals of the year in 1994, reflected with some pride in Macquarie's 1995 annual report. More than just a listing, it was an IPO incorporating stapled securities, returning pre-tax cash flow to investors, infrastructure bonds, inflation-indexed bonds, annuity bonds, and bearing construction risk, Salisbury points out.
- 36 'A hit to profits' was not quite the same in Macquarie as anywhere else:

the 1995 financial year, to which Moss is referring, was still a record on an after-tax basis at \$76.1 million, though lower on a pre-tax basis at \$70.2 million.

- 37 The market cap on the first day was A\$959 million. At the time of writing it is hovering around A\$70 billion, having been as high as A\$80 billion.
- 38 'Instos' is an Australian shorthand for institutional investors. Australians are capable of abbreviating more or less any institution or concept by adding an O to the end of it.
- 39 In many cases these assets were held through other vehicles. So, for example, the M5 stake was actually in its toll road project operator, Interlink, a 50 per cent stake which cost A\$61.6 million in 1996. The investment in the Eastern Distributor was through a 68.4 per cent, A\$143.1 million investment in Airport Motorway Group, which was developing the road.
- 40 Peter Salisbury, who reveres Caldon and is determined his contribution be remembered after Caldon's February 2021 death, says that 'establishment of the infrastructure funds business was Caldon's greatest gift to Macquarie as the funds have generated tens of billions of dollars of revenue'.
- 41 The model was not completely new. Mike Fitzpatrick, a former captain of the Australian Rules football team Carlton, had founded Hastings Funds Management in 1994 and used a listed infrastructure fund called Utilities Trust of Australia. The same year, Lloyd Morrison, a New Zealand investment banker, launched the listed infrastructure fund Infratil on the New Zealand Exchange, investing in Trustpower and later Wellington Airport. Transurban was different again, formed in March 1996 originally as the operator of CityLink and founded by Transfield Holdings and Obayashi Corporation as consortium members on the bid for that asset. It was permitted to undertake other activities from 2001 and, among other things, would go on to acquire Hills Motorway Group from Macquarie vehicles in 2004–05.

ITA Group would technically be managed by a subsidiary called Macquarie Infrastructure Investment Management.

- 42 Solomon took a crack at decoding the total fees in his book, *The Promise and Perils of Infrastructure Privatization: The Macquarie Model*. Macquarie Infrastructure Investment Management Ltd, manager of ITA Group, would receive an annual management fee of 1.25 per cent of the fund's net investment value plus a performance fee equal to 15 per cent of the annual return of the ITA Group above a benchmark index. In 1997 and 1998, Solomon says, ITA group paid base fees of A\$2.42 million and A\$6.23 million respectively, with performance fees of A\$5.94 million in both of these fiscal years. MIIML also received 18

million ITA Group stapled securities. Another subsidiary, Macquarie Underwriting Ltd, received an underwriting fee of 2 per cent and a lead manager fee of 1.33 per cent of the total amount raised by the ITA Group in its IPO, which Solomon puts at about A\$10.8 million. Then Macquarie Bank received interest on the loan it provided to ITA Group to fund the acquisition of the equity interest in Interlink Roads; Macquarie Corporate Finance Ltd received advisory fees from the Airport Motorway Group, for its work on the Eastern Distributor; and later Macquarie Underwriting got another A\$2.6 million as underwriter and lead manager for ITA Group stapled securities under a rights offering that was held in October 1997.

There are a few others, such as letter of credit fees and interest payments. But even without allowing for the stapled securities the manager received, we're already at over A\$34 million by the end of 1998.

- 43 Some sample earnings disclosures for Bill Moss: 2005, A\$15.1 million; 2007, the year when he retired, \$30.6 million, including long-term employee benefits.
- 44 Facioscapulohumeral Muscular Dystrophy.
- 45 <https://www.walkercorp.com.au/about/our-story/>
- 46 Assets included the Dreamworld adventure park and d'Albora Marinas.
- 47 Macquarie offloads Lime taxi business (smh.com.au).
- 48 The Macquarie CountryWide Trust raising tapped primarily retail investors.
- 49 That fund alone would manage more than US\$3 billion in assets by 2006, spanning Hong Kong, Korea, Japan, China, the UK, Italy, the Netherlands, Belgium, Switzerland, Germany, France and Poland.
- 50 It did so on Macquarie CountryWide Trust, Macquarie Office Trust and Macquarie Industrial Trust.
- 51 Greg Norman has become a more controversial figure due to spearheading the LIV golf tournaments and taking on the PGA Tour establishment.
- 52 Medallist is first mentioned formally in the 1998 Macquarie annual report.
- 53 Fehon's family accompanied him in the move.
- 54 Norman was born in Mount Isa in regional Queensland and spent most of his formative years in Townsville, a gateway to the Great Barrier Reef.
- 55 ABN AMRO Rothschild, Credit Suisse First Boston and JBWere the joint global coordinators, while Goldman Sachs and Credit Suisse joined Macquarie as joint lead manager on the US portion.
- 56 <https://www.nytimes.com/2016/03/03/business/dealbook/goldman-sachss-eric-dobkin-father-of-modern-ipo-to-retire.html>
- 57 There were two other unlisted entities: the High Yield Infrastructure

Debt Trust, which had been launched in August 1997, and Horizon Energy Investment Group, through which ITA and some private investors held a 25 per cent stake in Loy Yang A.

As it happened, this last vehicle would occupy most of Kahn's first months in his role because of a turn of events that illustrated the perils of investment in some types of infrastructure assets. When the power industry was privatised in Victoria, forecast power prices were around A\$39 per megawatt hour. But within a few months of the private sector taking over Victoria's power stations (there were two others that changed hands in the same process) the new operators were too successful for their own good, creating so much more power than previously that the power price dropped to A\$15 per megawatt hour. Horizon ended up selling its stake for about 10 per cent of the amount it had invested.

- 58 The Cross City Tunnel isn't actually a Macquarie deal: equity was provided by Cheung Kong Infrastructure, DB Capital Partners and Bilfinger Berger BOT, while the debt was financed through a syndicate led by Westpac and Deutsche Bank. It did not get the tolling numbers it expected, became insolvent and was later bought by ABN Amro and Leighton contractors, only to go into voluntary administration again six years later. Since 2014 it has been run by Transurban. But from Carr's perspective, all of this 'meant nothing to the taxpayer. No subsidy was required from them, and that's how the principle was supposed to be applied: the risk was shifted from the public to the private sector.'
- 59 Led by Cheung Kong Infrastructure Holdings and including DB Capital Partners and Bilfinger Berger BOT BmbH.
- 60 Its correct title, the scourge of sub-editors for the remainder of its existence, was BT Alex. Brown, which had been formed the previous year from the merger of Bankers Trust and Alex. Brown & Sons. The full stop after Alex is deliberate.
- 61 This was the Australian arm of a large US bank that had been rescued by Bank of America, which sold the Australian assets to Macquarie.
- 62 It was a little more complex than that: Deutsche sold the Australian division in its entirety to Principal Financial Group, which simultaneously onsold the investment banking division to Macquarie.
- 63 Moss adds: 'book value was kind of irrelevant to us because it was all liquid securities anyway.' In other words, the deal didn't come with some building they didn't want, but a lot of people and a book of good quality financial assets.
- 64 There was a secondary benefit from Bleach's point of view. Whenever he'd been previously approached by his friend at Macquarie, Peter Curry, to cross sides, Bleach was always put off by the psychometric test at Macquarie. The BT takeover waived that requirement, giving him a 'back

door listing,' as he puts it with a smile, into Macquarie without having had his psychometric composition investigated.

- 65 Bill Best remembers BT staff talking about this speech later. 'It was a classic Allan self-deprecating speech. He managed to knock something over. People really warmed to him.'
- 66 From A\$9.5 billion at the end of the 1999 financial year to A\$27.6 billion at the half-year before dropping back to A\$23.4 billion at the end of the 2000 financial year. BTIB accounted for \$11.9 billion, and the consolidation of Macquarie Life's statutory funds that year because of new accounting standards also had an impact. The later reduction was down to reduced repurchase and securities positions, run-off of non-core BTIB assets and the securitisation of A\$310 million of residential mortgages written by the bank.
- 67 The capital adequacy ratio stayed at 18.4 per cent, and Tier 1 at 14.5 per cent. The 2020 financial year included a placement of A\$100 million of ordinary shares, A\$150 million of converting preference shares, and a prospectus issue of A\$400 million of ASX-listed Macquarie Income Securities. The offshore funding program was expanded from US\$1 billion to US\$3 billion.
- 68 The office relocation project, completed in March 2020, included the fit-out of 28,000 square metres at 1 Martin Place and the refurbishment of 25,000 square metres at 20 Bond Street. During the project 2300 staff relocated to 1 Martin Place and 1600 staff moved within Bond Street. Over 450 BTIB staff had been relocated to a Macquarie office by the end of October 1999.
- 69 According to the AFR, 27 July 1999, Macquarie had an 85 per cent success rate in recruiting key staff from BTIB, with 450 recruits out of 530 offered among 905 staff; 146 joined from sales and trading, 103 from operations and control, 55 from equities, 27 from corporate advisory, 30 from finance and fifteen from international investment banking, plus 90 in IT. These numbers add up to more than 450 due to some double-counting between divisions.

However, out of the eleven members of the BT management committee, only two joined, investment bank chairman Rowan Ross and corporate adviser Michael Cook, with Peter Warne and Gavin Walker staying in consultancy roles. Tony Aveling, Rob Morrison, Rodney Payne, Dominic Stevens, Len Mackinnon, Ian Moore and Steve Gilsenan did not move across. <https://www.afr.com/companies/macquarie-denied-cream-of-bt-crop-19990727-k8ufj>

- 70 That is, a book of business related to gold bullion trading.
- 71 A kill disk is used to erase hard drives.

Chapter 5: Rogues and scandals

- 1 Macquarie's 1989 annual report lists Simon Hannes as among the year's new executive directors.
- 2 27 May 1996 report in *The Australian* by Matthew Stevens.
- 3 There were also reportedly cultural differences between the two distinct camps and run-ins between Hannes and Ros Headley-Miller, Kleinwort Benson's deputy joint investment banking boss.
- 4 <https://www.riotinto.com/en/about/business/history>
- 5 <https://www.caselaw.nsw.gov.au/decision/549fcf253004262463bda244>
- 6 Hanimex was founded in 1947 after the family fled Germany and arrived in Australia in 1939.
- 7 <https://www.caselaw.nsw.gov.au/decision/549f9bbb3004262463b19234>
- 8 Cameron also separately knew Moss through The Scots College in Sydney, where they'd attended but in different years.
- 9 Longo went full circle, returning to the ASC—by then the Australian Securities and Investments Commission, ASIC—as its chairman in 2021 after a long stint at Deutsche Bank.
- 10 Moss adds on Hannes: 'He was well paid and his career was going very, very well. It was astonishing frankly.'
- 11 <https://www.afr.com/politics/tnt-insider-trading-the-case-against-hannes-19970527-k7fem>
- 12 'Hannes to Macquarie MD: I've had a difficult day', <https://www.afr.com/politics/hannes-to-macquarie-md-ive-had-a-difficult-day-19990610-k8tey>. In this article Allan Moss said the bank had launched its own probe into potential breaches of Chinese walls after two clients of its broking unit made large profits from TNT options.
- 13 'In 1987, Wall Street was shocked when Bob Freeman was arrested for insider trading. Now the case is finally closed', 4 October 1993: https://money.cnn.com/magazines/fortune/fortune_archive/1993/10/04/78399/.
- 14 'Hannes: insider trader', <https://www.afr.com/politics/hannes-insider-trader-19990812-k8xld>.
- 15 <https://www.caselaw.nsw.gov.au/decision/549facef3004262463b6ba6d>
- 16 Open outcry trading occurred at stock or futures exchanges and typically involved shouting and hand signals to communicate trading information and directions.
- 17 <https://www.britannica.com/topic/Rocky-film-by-Avildsen>
- 18 <https://www.caselaw.nsw.gov.au/decision/549f6b383004262463a5457f>
- 19 <https://www.smh.com.au/national/guilty-banker-could-have-had-250-000-in-the-bag-20051012-gdm8cf.html>
- 20 http://www.austlii.edu.au/cgi-bin/viewdoc/au/cases/vic/VSC/2010/312.html?context=1;query=%22newton%20chan%22;mask_path=

- 21 The judgment went on to say: 'MEL [Macquarie equities] risk management queried the manner and extent of your trading in Bill Express shares late in the offending period. You sought to deflect their inquiries.'
- 22 'Macquarie bankers drug colleague with valium and laxatives', <https://www.smh.com.au/business/markets/macquarie-bankers-drug-colleague-with-valium-and-laxatives-20170621-gwvb8e.html>.

Chapter 6: Taking on the world

- 1 Americas 48 per cent, EMEA 20 per cent, Asia 7 per cent, Australia 25 per cent. In the 2023 half-year results to 30 September 2022, released in October, by which time this book was already at layout stage, the figures had changed. The Americas now constituted 38 per cent of international income, EMEA 24 per cent, Asia 10 per cent and Australia 28 per cent.
- 2 In 2006: Asia-Pacific was 41 per cent of international income, followed by Europe, Africa and the Middle East at 34 per cent and the Americas at 25 per cent.
- 3 55 per cent international, 45 per cent Australia.
- 4 A wholly owned subsidiary, HAS Overseas Limited, was incorporated in the 1974 financial year, conducting several transactions in New Zealand.
- 5 54,000 in the Americas, 83,000 in EMEA and 75,000 in Asia. This compares to the total staff of Macquarie itself, including its operationally segregated subsidiaries, of 18,133 as of 31 March 2022.
- 6 This venture, which involved Macquarie acquiring 30 per cent of AMMB's funds management business and also incorporated a financial markets business, was launched in 1996, which was unfortunate, since the Asian financial crisis came the following year. Malaysia adopted extremely strict and controversial capital controls in response, pretty much killing the new business.
- 7 In 2011.
- 8 Raising US\$22 billion, US\$4 billion and US\$1.3 billion respectively.
- 9 The 2010 report, which has a special section devoted to Asia, says that 'over 65 per cent of our operating income comes from the Asia Pacific region,' a definition which lasts about a year (the 2011 report refers to Macquarie as 'an Asia-Pacific specialist') but then never really appears again. At that stage Macquarie had 9700 staff in 26 Asia-Pacific locations.
- 10 Earlier, it had a curious gold-smelting business but that had come and gone by now.
- 11 In early days Macquarie would often expand into new markets through joint ventures. AMMB was an example in Malaysia, and Old Mutual in South Africa. Infrastructure partnerships would include State Bank of India and, in China, Everbright.

- 12 Naghdy was an important figure in Macquarie's international expansion, moving to Korea in 2000 and serving as a founding member of the team that established Macquarie's first infrastructure funds management business in Asia. Among other roles, he was also a key figure for Macquarie in the Middle East, out of an Abu Dhabi office, until the global financial crisis. He rose to be head of Macquarie Capital in Asia and the Middle East, developing much of the renewable energy business there. He is now one of the many Macquarie alumni at Stonepeak, where he is Head of Asia and the Middle East.
- 13 'And we had no other competition at the time,' says Kim. 'There was KDB [Korean Development Bank, a policy lender] and KB [Kookmin] on the debt financing side. But we were almost the only bank with the capacity to invest in equity.'
- 14 For a whole lot more on Equis, read this, by one of the authors of this book: <https://www.euromoney.com/article/b1hh2f9z111yy0/private-equity-the-inside-story-of-equis-and-its-partners-800-million-bounty>
- 15 'KRIF is a clear example of the success of the Bank's infrastructure and specialised funds in global markets,' the report said. KRIF was 'widely considered to be the most active private infrastructure player in the Korean market . . . Has also created a platform for Macquarie to leverage its global experience in project finance, pioneering the use of non-recourse funding in the Korean market.'
- 16 This is a different deal to the 2004 purchase of ING's broader Asia brokerage operations in 2004.
- 17 <http://www.koreaherald.com/view.php?ud=20150128001297>
- 18 Head of Client Solutions Group Asia-Pacific, Macquarie Asset Management.
- 19 <https://www.euromoney.com/article/b12kl286tny631/south-korea-macquarie-mans-highway-dreams>
- 20 As elsewhere in the world, there is an evolution in what is considered infrastructure. 'We are expanding into infra-like, infra-adjacent, or core private equity,' says Kim. 'So Korea is pioneering new product from Macquarie's point of view: we can probably launch a Core PE product outside Korea, globally.' Increasingly, it is also going head to head with the private equity players who have a powerful presence in Korea, both local and international.
- 21 Macquarie started investing in waste to energy companies in Korea in 2013, way ahead of the field. 'Back then nobody considered waste to energy as an investable sector,' says Kim. By 2018 everyone else piled in, valuations went up to multiples of fifteen to twenty times and Macquarie set about exiting them all again.

GIG is developing floating offshore wind projects in Korea's Ulsan

and South Jeolla Province, and is on board with the government's New Deal plan which promises green energy. Today joint ventures are not with local banks but industry players like TotalEnergies, with whom they are delivering an initial 2.3 GW of offshore wind projects.

Deals like this anchor continuations of Macquarie's earliest funds. The MKOF series is now up to five, its most recent investments being into IT service companies, hydrogen manufacturers and distributors, and facility management companies servicing the LG Group. The most interesting deal of recent times bought ADT Caps, a security services group, as a co-owner with SK Group, one of the most powerful *chaebol* in Korea, in 2018. 'That was a breakthrough in going outside infrastructure,' says Kim.

- 22 Roberts has been head of Macquarie Europe, joint head of Macquarie Capital Advisers, global head of Macquarie Infrastructure and Real Assets, and executive chairman of the Macquarie Funds Group.
- 23 Miller would go on to become head of infrastructure at Macquarie Capital Australia and served 21 years at the bank before leaving in 2015. He later joined JPMorgan.
- 24 Other young bankers Macquarie dispatched to Toronto for the bid included Frank Kwok, Warren McNabb, Kirsten Hannan and David Beck.
- 25 108 kilometres long in the section covered by the concession.
- 26 Leo de Bever would go on to be CIO at Victorian Funds Management Corporation in Melbourne before running Alberta's public sector pension plans and oil and gas sovereign wealth fund, Alberta Investment Management Corporation, or AIMCo.
- 27 Nobrega went to considerable effort to verify this number for us, going back to OMERS and reading minutes of the board meetings leading up to the bid, but the actual bid documents were shredded after the transaction closed in accordance with a confidentiality agreement among consortium participants. The minutes do identify, though, that there were ten participants in the consortium, which were listed in order of importance for the bid: Omers (equity), Bank of Nova Scotia (debt), Macquarie (professional experience and skills plus some equity), then the contractor group led by Dragados, an international contractor headquartered in Madrid. The BC Pension Plan, as it was then called, appears further down, though its contribution may have elevated during the process.
- 28 She didn't. Kirsten Hannan, the woman in question, is now a Division Director in the Green Investment Group.
- 29 Moore recalls this as part of 'a presentation I gave dealing with the trial and error/evolution path of science, nature and our own business.'

- 30 In fact, any conversation with people in Toronto tends to show a rather ambivalent relationship to the 407 and what it represents. Paid toll roads remain unusual in Ontario and Torontonians object to many things about the road, from the military technology that scans their licence plates to the fact that if you don't pay your 407 tolls you can't renew your licence.
- 31 Salisbury remembers paying C\$500 million for a stake CDPQ had paid C\$125 million for in the original bid.
- 32 Mark Ramsey, who had already started the global infrastructure asset management business in Australia, did some early work on developing this business in the London office. He went on to become the head of Latin America for Macquarie Capital.
- 33 Specifically, a 24.8 per cent stake in Lusoponte Concessionaria para a Travessia do Tejo, or Lusoponte, which held the concession for two bridges over the Tagus River, the Vasco da Gama Bridge and the Ponte 25 de Abril. Kvaerner also owned 50 per cent of Dundee Energy Plant in Scotland, 50 per cent of the Queen Elizabeth Hospital which was under construction in London, 26.7 per cent of the Ministry of Defence headquarters building in London, a service agreement on the Dartford River Crossings near London, and 50 per cent of Yorkshire Link, an operational shadow toll road.
- 34 Italy's Autostrada also owned part of this concession, which Macquarie then bought out.
- 35 £7.20 when the author visited in 2022, but about £4 during Macquarie's ownership.
- 36 <https://www.afr.com/politics/macquarie-takes-to-toll-roads-20010905-j85my>
- 37 <https://www.globalcapital.com/article/28mwzhwm7trp9moinl2ps/australia-mig-shines-in-dark-equity-markets>. This record deal was completed just days before the 9/11 attacks.
- 38 MIG would go on to become a top 30 ASX company for a time.
- 39 MEIF 7 was fundraising at the time of writing. <https://irei.com/news/macquarie-launches-seventh-european-infrastructure-fund/>
- 40 The initial focus was concentrated on the deregulation process under way for Ontario's electricity distribution sector, where Warren McNabb had experience from New Zealand. Jim Miller focused on this area and Salisbury focused on the big pension funds and the effort to buy in to the 407.
- 41 McNabb had been advising the Alberta government on electricity assignments so knew the sector well.
- 42 Aside from AltaLink, Teachers' came in for a total of at least A\$450 million in MIG, A\$200 million of it in the jumbo financing to buy out

- CDPQ's stake in the 407, and a further A\$250 million in on-market purchases. When Macquarie Airport Group needed funds, Ontario Teachers' would step in for €75 million as a cornerstone investor in a faltering equity raise. When the Macquarie Communications Infrastructure Group (MCIG) fund was launched, another A\$20 million. In the years ahead, Ontario Teachers' would take part in deals involving Sydney Airport, the M7, the Express Pipeline in Canada and Transurban, while also making crucial introductions to other instos around the world.
- 43 Canada Pension Plan Investment Board, or CPP Investments, established on New Year's Eve 1997 in Toronto to invest the funds of the Canada Pension Plan, a contributory social insurance program that is a key part of Canada's public retirement income system.
 - 44 Osorio says this was the first fund established outside of Australia, and a test for the Macquarie model on an international level.
 - 45 AltaLink, MEAP and MAG.
 - 46 ABP came into MEIF I as the equal-largest investor, €200 million, and subsequently put billions of euros into Macquarie deals and funds around the world.
 - 47 Two and twenty refers to a fee structure made popular by hedge funds and private equity firms. It means a 2 per cent fee, plus 20 per cent of profits or returns above an agreed hurdle.
 - 48 Leo de Bever had gained board approval for C\$150 million investment, making it the cornerstone investor, and had even given a presentation to other investors at Macquarie roadshows for the fund. The withdrawal from MEAP was therefore significant.
 - 49 CPPIB then made a €200 million commitment to MEIF I around the same time. 'This is a great example of the importance of relationships and introductions within the Canadian super fund space,' Salisbury says.
 - 50 'If motorists do not complain about it [the toll] being too high, then we will not have done our job,' he was reported as saying. This drew a swift admonition from Steve Allen, by now MIG's CEO: 'I totally reject the views attributed to Eager and advise he has no ongoing role with MIG or the Macquarie Group.' Ouch.
 - 51 James Cowan is the most senior figure in the Macquarie Toronto office today. Macquarie also had a Canadian mortgage business, and for a time there was talk of applying for a banking licence; it acquired a business called Blackmore in Canada in the aftermath of the global financial crisis. But the business was considered non-core and Greg Ward exited it after taking over the Banking and Financial Services group.
 - 52 A US\$100 billion private markets specialist where Warn-Schindel manages infrastructure and real assets.

Chapter 7: An American roadtrip

- 1 Its headquarters are still in New Orleans today, on Poydras Street.
- 2 Peter Stokes, MIC's chief executive at the time, would later speak in great detail of the mechanics of the bulk liquid storage industry and the plans for expansion.
- 3 <https://www.businesswire.com/news/home/20140717006472/en/Macquarie-Infrastructure-Company-Completes-Acquisition-of-International-Matex-Tank-Terminals>
- 4 With the issuance of \$125 million in new MIC shares to the sellers, White Deer Energy and Blue Water Energy, as well as \$46.5 million in cash. <https://www.businesswire.com/news/home/20170802006259/en/IMTT-Enters-Agreement-Acquire-Epic-Midstream>
- 5 Through MIC.
- 6 <https://www.riverstonellc.com/media/1255/riverstone-agrees-to-buy-international-matex-tank-terminals-from-macquarie-infrastructure-corporation.pdf>
- 7 It has a feel of proud conservatism, a camp of the Louisiana Army National Guard, and 'the only museum in the entire state of Louisiana dedicated to municipal government,' which is quite the claim to fame. Alcohol was banned here until 2013.
- 8 The deal valued Cleco at US\$4.7 billion including \$1.3 billion of assumed debt. It would take until 2016 to get regulatory approval. By this stage, eight years after Murray Bleach and his colleagues were rattling around looking for deals like IMTT at the other end of Louisiana, Macquarie was quite the veteran of American infrastructure business, and by now could boast \$6 billion of acquisitions including various port terminals, toll roads, telecommunication towers and waste disposal businesses. <https://www.cleco.com/media/press-releases/detail/2014/10/20/cleco-enters-agreement-to-be-acquired-by-north-american-investor-group-led-by-macquarie-infrastructure-and-real-assets-and-british-columbia-investment-management-corporation>
- 9 The Roman numerals represent the iteration of the fund, so this was the third Macquarie Infrastructure Partners vehicle. Needless to say, Macquarie Capital (USA) was the financial adviser.
- 10 <https://www.businesswire.com/news/home/20210607005386/en/Macquarie-Infrastructure-Corporation-Announces-Agreement-to-Sell-Atlantic-Aviation-to-KKR-for-4.475-Billion>
- 11 EBITDA, or earnings before interest, taxes, depreciation and amortisation, is a measure of core profitability. It tells you how an operating business is doing before considering other things like debt.

- 12 At the time it was known as Aligned Energy. <https://www.mirafunds.com/au/en/our-insights/case-studies/aligned-energy.html>
- 13 Macquarie Infrastructure Partners bought in to Lagoon Water Solutions in 2018 and committed up to US\$500 million to support growth in its systems and assets. It provides water solutions to oil and gas producers in the Anadarko Basin and owns disposal facilities, transfer trucks and pipeline assets. <https://www.businesswire.com/news/home/20180910005669/en/Lagoon-Water-Solutions-and-Macquarie-Infrastructure-Partners-to-Continue-Development-of-Water-Midstream-Infrastructure-Business>
- 14 <https://www.kshb.com/news/local-news/macquarie-asset-management-contractually-committed-to-downtown-waddell-reed-headquarters>
- 15 ‘We owned it in one of our infrastructure funds that was timing out and therefore we had to dispose of our stake in it, which we did in 2019,’ says David Fass. ‘We were sad to have to say goodbye to our stake in Puget the first time. We really felt part of the transformation of that company from a traditional, publicly traded utility into something that was very actively managed by Macquarie.’
- 16 <https://www.macquarie.com/au/en/about/news/2022/macquarie-asset-management-and-ontario-teachers-complete-acquisition-of-stake-in-puget-holdings.html>
- 17 There is a trend towards longer-dated, if not perpetual, funds across the world. A dedicated utilities strategy focused on Europe is an example of shifting term models. ‘It’s not quite perpetual, but it has a bias toward a very long-dated term, at least twenty years, with extension mechanisms built into the fund,’ says Leigh Harrison, head of real assets for Macquarie Asset Management. ‘Some portfolio companies lend themselves to longer hold periods.’
- 18 At an enterprise value of US\$514 million <https://www.businesswire.com/news/home/20210614005830/en/Macquarie-Infrastructure-Corporation-Announces-Agreement-to-Sell-MIC-Hawaii-Completes-Pursuit-of-Strategic-Alternatives>
- 19 <https://www.micinc.com/about/news/2021/mic-reports-first-quarter-2022-financial-operational-results.html>
- 20 The enduring exceptions being listed funds in South Korea and Mexico.
- 21 Macquarie Infrastructure Partners announced the acquisition of Bluebird Network in January 2019. <https://www.businesswire.com/news/home/20190115005915/en/Bluebird-Network-to-be-Acquired-by-Macquarie-Infrastructure-Partners>
- 22 Macquarie Infrastructure Group and Cintra, through a joint venture called Skyway Concession Company, bid US\$1.83 billion for Skyway. This was thought to be more than double the next highest bidder.

- 23 <https://usa.streetsblog.org/2014/11/19/how-macquarie-makes-money-by-losing-money-on-toll-roads/>
- 24 The JV that bought the Indiana Toll Road filed for bankruptcy in September 2014, \$6 billion in debt, and agreed a sale to Australian pension fund group IFM Investors for \$5.7 billion including debt in 2015. In February 2016 Ferrovial and Macquarie sold Skyway to Calumet Concession Partners, a consortium of three Canadian pension funds Macquarie knew well: Ontario Teachers' Pension Plan, CPPIB and Omers. Macquarie came out of this one in better shape with a US\$2.8 billion sale.
- 25 A consortium including Macquarie Essential Assets Partnership sold Michigan Electric Transmission to ITC Holdings for US\$486 million in cash and US\$70 million in shares of ITC Holdings common stock in 2006 in a deal which also involved ITC assuming US\$311 million of debt. MEAP had accumulated its stake through 2003–04. <https://trimarancapital.com/uncategorized/itc-holdings-signs-agreement-to-acquire-michigan-electric-transmission-company/>
- 26 Buying an asset that straddles two different nations doesn't sound straightforward, but as always Macquarie had a twist. 'What we were actually purchasing was the toll revenue and operations on the US side, and management on behalf of the City of Windsor of the toll collection and the operations on the Canadian side,' says Michael Smerdon. So it was a US asset providing management services to a Canadian counterpart. Still, it needed presidential approval.
- 27 As explained in the Canada section, it took Macquarie two bids and a great deal of persistence to get a stake in the thing, which it eventually did from two different directions at once.
- 28 A side note: did you know much of downtown Toronto doesn't use air conditioning because it is instead cooled by water drawn from pipes at the bottom of the lake, where the water is reliably extremely cold, and then distributed through more than a hundred heat exchangers beneath Toronto's commercial towers? One imagines that even though Macquarie doesn't own that asset today, it probably will sooner or later.
- 29 Macquarie has just signed a lease at 660 Fifth Avenue, a building once owned by the family of Trump aide Jared Kushner; they'll have to wait a while before moving in, though, because at the time of writing it is amid a US\$400 million redevelopment by Brookfield Asset Management, an enterprise which in many ways resembles Macquarie.
- 30 His formal title is chief executive officer and project executive of NYNJ Link Developer LLC, which is a special purpose public-private partnership company owned 90 per cent by Macquarie Infrastructure Partners and 10 per cent by Kiewit Development Company.

- 31 <https://nymaritime.org/2022/03/31/meet-the-inductee-gary-cross-president-and-ceo-maher-terminals-llc/>
- 32 Strictly speaking, the Maher sons sold to a fund managed by Deutsche Bank, and then Deutsche moved the investment onto its own balance sheet after the global financial crisis.
- 33 . . . the other being Los Angeles, which is why Macquarie funds have also invested in both Los Angeles and Long Beach.
- 34 Deutsche was clearly going to have to sell because it so badly needed capital elsewhere, but Macquarie spent a year coaxing, offering multiple indicative offers. Deutsche eventually decided to sell in a broad auction, but had an unresolved legal issue with the Port Authority having sued it over the rent, and the Port Authority—which had full approval rights—wouldn't approve the sale until that was resolved.

At this point, the relationship Macquarie already had with the Port Authority from Goethals helped. It presented a case and the deal went ahead. 'We really wore out our shoe leather for twelve months chasing Maher,' Paul says.
- 35 It became Macquarie Investment Management, and then (because of course they can't keep the same divisional name for more than a few years without messing around with it) Macquarie Asset Management.

Chapter 8: Airports and bad press in the 2000s

- 1 Virgin Australia was launched as Virgin Blue in August 2000.
- 2 Actually it's a fictionalised version of Australian Prime Minister Bob Hawke who says this in the 2003 film *The Night We Called It a Day*, also titled *All the Way* in some countries. But it's consistent with an attitude he held at the time. In the film, Hawke is not yet PM when he says it but president of the Australian Council of Trade Unions.
- 3 2005 and 2007 financial years were 60 per cent or greater year on year increases. The increases in after-tax profit through the decade, year on year, were: 2001, 15.1 per cent; 2002, the financial year including 9/11, 3.3 per cent; 2003, 33 per cent; 2004, 48 per cent; 2005, 67 per cent; 2006 (restated for a new accounting treatment called AFIRS), 13 per cent; 2007, 60 per cent; 2008, the last of the pre-GFC numbers, 23 per cent; 2009, when the GFC hit, would be down 52 per cent.
- 4 Financial Packaging Group, which became Project and Structured Finance, which became the Asset and Infrastructure Group, which became Investment Banking Group, which became Macquarie Capital. And that's without considering umbrella group titles like Corporate Services.
- 5 One banker recalls Moore laying out an organisation chart the week after this combination was announced. It showed Moore as CEO of the group,

and above his name was a tiny box with ‘Chairman Alastair Lucas’ in it. ‘Even as a junior analyst, I knew that was a signal he was on his way out,’ he says.

- 6 Deverall, a central figure in the development of Australia’s asset management industry, spent six years at Macquarie and three as group head of the Funds Management Group before leaving and being replaced by Ben Bruck. He would go on to be CEO of Perpetual, then Hunter Hall, and then the NSW Treasury Corporation, a role he holds at the time of writing. He also spent three years as chairman of the Financial Services Council. A co-author of this book once ruined Deverall’s lovely desk at Perpetual after a pen exploded, and would like to take this opportunity to apologise.
- 7 Other non-division heads, such as then-CFO Greg Ward and chief risk officer Nick Minogue, were also present.
- 8 Fehon recalls that Moss was always taking an urgent call or meeting, and couldn’t work out how he fitted it all in, until he learned that Moss tried to keep four hours free in every given day in the full knowledge that it would be filled by people who spontaneously needed to speak or meet with him.
- 9 Moss loved slides, more often than not delivered through his antiquated overhead projector. ‘Look at this chart,’ he would say. ‘It starts at the bottom left and goes to the top right. Isn’t that nice?’
- 10 Macquarie was equity and subordinated debt underwriter and financial adviser on the airport acquisitions; sponsor, equity and subordinated debt underwriter and financial adviser on the Brisbane air link; and financial advisor on Sydney Airports Corporation. In New Zealand the corporate finance team advised on the government’s sale of its 66 per cent shareholding in Wellington International Airport. A two-page runway photo in the 1999 annual report hinted at what was to come.
- 11 It listed on 2 April 2002.
- 12 At one stage Macquarie boasted listed or unlisted funds called MAG, MAp, MIG, MIC, MEAP, MEIF, MIIF, MCIG, MCAG, MKIF, MKOF and MOF simultaneously.
- 13 <https://www.afr.com/policy/foreign-affairs/9-11-made-me-less-scared-of-death-says-economist-who-survived-20210902-p58o7s>
- 14 That is to say, there were sufficient orders to cover the capital raising. ‘Overnight’ here means the Australian night, the European/US day.
- 15 As a global insurer, QBE was among the worst hit in share price terms by the 9/11 attacks. Its share price was at A\$10.11 on 11 September (remember Sydney is fourteen hours ahead of New York in September), and had dropped to a close of A\$3.32 on 20 October when trading in the stock was halted. In the midst of this, Macquarie led a capital raising

which John Green recalls as ‘possibly my finest moment in investment banking . . . if we couldn’t have raised the capital, they would have gone to the wall.’

Green remembers Allan Moss asking him, ahead of underwriting: how much due diligence have we done? Green said he had not had time to do much. He recalls Moss saying: ‘Then why should we do this?’ Green replied: A, they’re one of Australia’s most important companies. B, they’re in serious trouble. And C, I’ve known and worked closely with them for years and I trust them implicitly. Moss adds: ‘If you trust them, fine, we’ll do it.’ Green adds: ‘That was relationship investment banking. I’m guessing few banks would take a risk like that today.’

Data sourced from Refinitiv shows that other capital raisings did take place over those days in Australia, Japan, Thailand, Canada and the UK, but most were tiny in comparison to Macquarie’s. The only other one of significant size in the three days after 9/11 was a US\$97.43 million-equivalent follow-on for Sentry Select Global Index Income Trust in Canada on 14 September.

- 16 Listing was originally scheduled for 1 April, but that didn’t seem particularly fortuitous, the more so when that became the formal date of Ansett’s demise. They moved it to 2 April.
- 17 Other members of the consortium were the German airport operator Hochtief and the Commonwealth Bank of Australia. The rival bidders were Sydney Gateway Group, led by Westpac, and the Connect Group, including ABN Amro and the French transport infrastructure and engineering company Egis Group.
- 18 Mather still challenges this. ‘I don’t think we were as far in front as everyone suggested.’
- 19 25 June 2002; announcement of Rome Airport would follow on 16 July. According to a subsequent prospectus for Macquarie Airports (MAp), MAp acquired 40.4 per cent of the ordinary equity in Sydney Airport through a special purpose vehicle, Southern Cross Australian Airports Trust, for A\$815 million, a transaction that was completed on 28 June. This prospectus added that through its MAG shareholding, MAp had also acquired a 4.3 per cent indirect interest in Sydney Airport for A\$88 million, giving it a total beneficial interest in the airport of 44.7 per cent.
- 20 In February 2022, shareholders approved the takeover by a consortium including the Australian superannuation fund UniSuper, after which the airport was taken private.
- 21 Macquarie sold the last of its stake in Sydney Airport in 2013.
- 22 Today Sydney Airport is perhaps the perfect example of the number of different bits of Macquarie that can be brought to bear for the same client

or asset. Macquarie has been the owner of Sydney Airport, the seller, has advised it as a listed company raising finance, has done no end of other advisory jobs for it, and at the time of writing is helping the winning consortium take it private again. 'And no doubt we'll continue to work with them as a private company, and so the cycle continues,' says John Pickhaver, co-head of Macquarie Capital in Australia.

- 23 Now CEO of the Macquarie Bank arm of the group.
- 24 As always, this description understates the complexity. Firstly, Rome Airport is two airports, Fumicino and Ciampino. MAP entered into a conditional agreement with Macquarie Airports Group and GIF (Macquarie Global Infrastructure Fund, of which there were two, A and B) to acquire a 44.7 per cent stake in Aeroporti di Roma SpA for A\$842 million through a special purpose vehicle called Macquarie Airports Luxembourg SA, or MALSA. To do this, MAP took a 44.3 per cent shareholding in MALSA for A\$832 million including acquisition transaction costs, representing a direct interest in the airport of 19.8 per cent; and MAG acquired a 50.1 per cent shareholding in MALSA, representing a stake in the airport of 22.4 per cent. GIF acquired the balance of shares in MALSA. Then, through the MAG shareholding, MAP acquired an additional 8.2 per cent indirect interest in the airport, bringing the total beneficial interest to 28 per cent, plus a first refusal to buy GIF's interest.
- 25 In some respects, they demonstrably were. The later MAP prospectus says the weighted average Enterprise Value to EBITDA multiple for MAP's acquisitions in Rome was 9.6 times, whereas on Sydney it was 14.3 times.
- 26 This basically means existing shareholders get the opportunity to buy; there was also a public offer if the deal wasn't covered by existing shareholders.
- 27 The original listing price was \$2, to be paid in two equal instalments. The capital raising priced at \$1.60, then the European market tanked overnight so the next morning it opened at \$1.53. By the time the second instalment was due in October there were real doubts if retail would follow through with their second dollar payment, though in practice most did.
- 28 BrisConnections involved the sale of stapled units at 0.1 cents each which came with two instalments of \$1 to be paid. See more on this in Chapter 10.
- 29 Quite apart from impacting travel to Asia, it also meant that for a time the three cities through which Australians usually travelled to Europe at the time—Singapore, Bangkok and Hong Kong—were closed to international traffic.

- 30 A\$1.69, compared to an offer price of A\$2.
- 31 In 'Why is it Open Season on Macquarie?', *Asiamoney*, September 2002 edition.
- 32 <https://www.theage.com.au/national/macquarie-float-in-jeopardy-20020704-gduczb.html>
- 33 Now host of Seven Network's *Sunrise* program, but an accountant and financial journalist by background.
- 34 <https://www.abc.net.au/am/stories/s636041.htm>
- 35 *The Chaser* is 'a satirical media empire which rivals Rupert Murdoch's News Corporation in all fields except power, influence, popularity and profitability.'
- 36 https://www.youtube.com/watch?v=q_v6BVzCHps
- 37 Spillane is now executive director and global head of private capital markets.
- 38 <https://www.afr.com/politics/how-a-shock-jock-brought-moore-down-to-earth-20080207-j77va>
- 39 Smith, who had been Telecommunications Industry Ombudsman in Canberra, was also there to help Macquarie win mandates on the second and third tranches of the Telstra privatisation, known as T2 and T3. They failed to get a major role on either. 'We learned some lessons,' Smith says: 'Being overconfident. Just because you look like the natural, given that you're Australian and you're competent and the pricing was reasonable, doesn't mean you will get the right outcome.'
- 40 Andrew Low had taken over the global Telecommunications, Media and Technology (TMT) business in 2001 with a mandate to internationalise what was a largely domestic business and to push it down the same path as other infrastructure towards the fund model. Initially daunted—he was, by background, an M&A banker, now being told to put a billion dollars of the bank's balance sheet on the line—he came to see the logic.
- 41 Smith was involved in this too—'the best performing asset class of all those funds we created was the communications, so I'm quite proud of what we did there'—while future CFO Alex Harvey was involved in the establishment of Macquarie Media Group. Smith notes that at one point they had all the broadcast towers in his home state of Tasmania 'and we could have turned off Tasmania, basically. Which sometimes, in later years, I thought was a very good idea.' MCIG would go on to own a network of broadcast infrastructure in Australia, the UK and the US, including Broadcast Australia, Britain's Arqiva tower operations, and Airwave, which runs emergency services transmissions in the UK. A large part of the stake was taken over by the Canada Pension Plan Investment Board in 2009, and some assets transferred to Macquarie European Infrastructure Fund 2.

- 42 He left Macquarie in 2016 and is the founding partner of BGH Capital.
- 43 Allan Moss recalls the Reserve Bank saying: ‘You’ve got to have bank branches. And they’ve got to be on the ground floor. When people go to Macquarie, it has to look like a bank. Basically, none of which we really wanted to do. We did not want to even hold cash on the premises but the Reserve Bank made us do that too, though not much and I think they relented on that later. In my whole Macquarie career, the only times I ever saw cash on Macquarie’s premises were for coffee money and Melbourne Cup sweeps.’
- 44 FSG became Macquarie’s seventh operating group in June 2000, including retail marketing, sales, advisory and customer services activities from across Macquarie, with the balance of the investment services group forming the new Funds Management Group. At first, Richard Sheppard became group head of FSG, with Greg Matthews and David Deverall joint heads of Funds Management Group. The 2000 annual report says FSG ‘will be the bank’s focal point for sales, advisory and customer service activities for retail clients seeking a quality and value-added approach. It will service these clients directly and through third party financial advisers. It will do so using established technologies and increasingly through new technologies such as a wrap products and the internet.’
- 45 . . . where he was general manager, business and consumer markets.
- 46 Maher, having built his career elsewhere, has a rare perspective on how different the culture was at the top level. ‘The pressure to perform and the achievement-oriented culture is not something that you see on banners or coasters around the place, like other companies would do it,’ he says. ‘It’s just inherent in the way people do things.’

That started with Moss, ‘the most sophisticated leader I have ever worked with in my career.’ Like many, Maher came to understand this odd double act of extremely high intelligence and deliberate understatement. ‘He had this wonderful balance where he wasn’t telling you how bright he was, he was allowing you to your own conclusions. And he really demonstrated the art of asking the killer question.

‘It’s not quite the smiling assassin. But he had a lovely, disarming way of allowing you to feel confident and comfortable but still getting to the nub of the question that he wanted to ask, and asking it quite bluntly.’

- 47 It was a hard slog. Aubrey remembers being in a meeting in which senior people suggested they should scour the world, get the best investment managers, and have them all signed up within three months. ‘I actually burst out laughing because that was ridiculous, and then realised everyone was looking at me and they weren’t joking.’ It took eighteen months to start finding the right manager—‘we had to kiss a lot of

frogs’—before they signed up with the Morgan Stanley global franchise strategy, which Macquarie would later seed as a new boutique after it left the US house.

Walter Scott was the standout success of that program and spoke to the team’s persistence. ‘I remember turning up in Edinburgh and they said, “How did you find us?” They didn’t have a website.’

- 48 ‘Skunk Works’ refers to Lockheed Martin’s Advanced Development Programs, which build secretive things like the U-2 and SR-71 spy planes. It’s used as a shorthand to describe organisations with high degrees of autonomy working on secret projects.
- 49 Australians don’t speak of mutual funds, but managed funds.
- 50 The CMT topped A\$10 billion in the 2005 financial year (see annual report).
- 51 Ottmar Weiss, who ran the equity markets division until his departure in 2005 after earning \$20 million in the previous two years, and who along the way cornered the market for 1983 Grange Hermitage, was notoriously tough. More than one person recalls people leaving his office in tears, yelled out of the room and across the trading floor.
- 52 *Complex Products Need Understanding*, Chris Wright, AFR, 4 May 2005 <https://www.afr.com/politics/complex-products-need-understanding-20050504-jkxabc>
- 53 Though not as high as Australians seem to think: Australia doesn’t even make the top ten jurisdictions for highest personal income tax rates. But the opportunities for deductions are more significant in Australia than many other nations. <https://worldpopulationreview.com/country-rankings/highest-taxed-countries>
- 54 Collateralised debt obligations, in which a bank would package all sorts of different assets—loans, mortgages and so on—into a single product. The prominence of these products, coupled with inappropriate ratings from agencies that perhaps didn’t entirely understand them and a lack of transparency about cross-holdings between banks, is considered one of the key culprits in the global financial crisis.
- 55 National Australia Bank, Commonwealth Bank of Australia, Westpac and ANZ.
- 56 The equities group and equities markets group were two different divisions at that time. Initially there was just an equities group with a retail and an institutional component, and a derivatives component under Ottmar Weiss which became so successful it was made into its own group, equity markets. That group came to include principal equity trading, structured products and derivatives trading. The equity markets group was not predominantly a personal finance division, but principal equity trading and risk management; it’s just that, off the back of that

capability, products were designed for intermediated distribution (that is, through financial planners).

Chapter 9: Let the good times roll

- 1 The bid, which formally expired on 28 February 2006, was one of three expressions of interest within a year, the first a formal bid from Deutsche Börse in December 2004, the second an indication of interest from Euronext, though that never turned into a formal offer.
- 2 The Royal Exchange, a predecessor of the LSE, was founded in 1571 by Queen Elizabeth—the first.
- 3 Bilateral deals are those agreed between two parties.
- 4 A cashbox refers to a vehicle in which funds are raised without a clearly stated purpose for those funds at the time of raising. The idea is that investors trust the managers to make great investments when they arise. Cashboxes were banned on the ASX for a time.
- 5 Its final composition was Allco Equity 35 per cent, Allco Financial 11 per cent, Macquarie and TPG just under 15 per cent apiece, Onex 9 per cent and some other foreign investment firms the remainder.
- 6 The deal team briefly considered asking ASIC for an extension to the deadline, then decided there was little point. Margaret Jackson, Qantas's chairman, would resign in late 2007 in light of the board's support for the failed tilt.
- 7 History tends to suggest that it was just as well the deal didn't go through, given the global financial crisis that was just around the corner. Today, Yates is not so sure. 'Would it have been a disaster? I don't know. I think it'd be very challenging,' he says. 'But we did write a 10-year debt deal where APA didn't have to pay any interest, and had almost no covenants, so they probably would have got through.
I think AEP shareholders would have got toasted in the short term. But the debt deal probably would have saved it all.'
- 8 https://www.wesfarmers.com.au/docs/default-source/asx-announcements/wesfarmers-proposal-to-acquire-coles-group.pdf?sfvrsn=de7a98ba_0. Macquarie was reported to have bought up to 15 per cent in Coles in April 2007. <https://www.ft.com/content/d72a64a8-e17d-11db-bd73-000b5df10621>
- 9 The AFR went for A\$600 million but we believe the true figure to be lower. <https://www.afr.com/companies/dyno-nobels-dynamite-float-20060407-jfmul> and <https://www.fnlondon.com/articles/macquarie-flips-dyno-nobel-in-seven-months-20060406>
- 10 The Quadrant Energy deal involved Macquarie Capital, Brookfield Business Partners, Wesfarmers and others buying the company in 2015,

then selling it to Santos for US\$2.15 billion in 2018. It is considered a great example of Macquarie partnering with its clients and is discussed in Chapter 14. <https://www.macquarie.com/au/en/about/news/2018/brookfield-business-partners-and-macquarie-announce-agreement-to-sell-quadrant-energy.html> and <https://www.macquarie.com/au/en/perspectives/spotlight-on-quadrant-energy.html>

- 11 <https://www.afr.com/companies/media-and-marketing/mine-case-shafts-macquarie-for-4m-20090217-jmm6l>
- 12 The miners themselves then passed that debt on to Beaconsfield Gold, Allstate's partner, in return for A\$2.85 million of cash.
- 13 Macquarie denied this, but it's really a question of nuance. The Alinta board said it would compensate Macquarie for all prior corporate advisory work, but that all mandates involving future work would end. Alinta also said Macquarie could only continue to advise former CEO Bob Browning and former chairman John Poynton on the buy-out proposal if they complied with a list of conditions, including returning Alinta company information. See Katrina Nicholas in the AFR here: <https://www.afr.com/politics/alinta-dumps-macquarie-over-conflicts-20070117-jexat>
- 14 <https://www.smh.com.au/business/babcock-joins-alinta-stalkers-20070120-gdpaas.html>
- 15 This article in *The Age* explains the intricacies of the first round of bids: <https://www.theage.com.au/business/macquarie-and-the-market-may-still-have-a-say-over-alinta-20070331-ge4k9w.html>
- 16 One interesting aside to this is a concern Macquarie had and how it played out. The AGL/Alinta relationship involved a process colloquially known as Russian roulette, through which any buyer of Alinta had to offer to sell its 67 per cent stake in its Western Australian retail and cogeneration assets to AGL, which held the other 33 per cent, at a price of its choice. AGL then had to buy the assets or sell its own stake to the other party at the same price. This was one reason Macquarie was unwilling to bid beyond a certain level because of the uncertainty around whether that agreement might be exercised.

When Babcock & Brown won Alinta it split the assets up into different portfolios. 'That was a bad decision,' says Dunlop, 'because the portfolio theory of Alinta was that all the bits relied on each other for the value equation.' AGL then exercised its Russian roulette rights, creating strain for Babcock, which would go under in the global financial crisis.

Dunlop says Babcocks called him and Vidgen for assistance. They did assist with the necessary restructuring, which ended up creating the entry vehicle for Brookfield, another infrastructure major, coming in to

- Australia, and the foundation of a good relationship between Macquarie and Brookfield which would play out later in the Quadrant Energy deal.
- 17 For a while, anyway; Babcock & Brown would go into voluntary administration in March 2009 having been wiped out by the global credit crunch, rendering the stock it paid Alinta worthless. Alinta itself was split into three businesses: Alinta, for a time known as WestNet Infrastructure Group and now Alinta Energy, retained the Western Australian gas retail business and was acquired by Hong Kong's Chow Tai Fook Enterprises in 2017. WestNet Energy provides services to the owners of the AlintaGas Networks gas distribution centre in Western Australia and to the owners of Dampier to Bunbury. Alinta LGA, since renamed Jemena, manages infrastructure assets in Australia's eastern states. Ownership then passed to Singapore Power International, who had been in the Babcock bidding consortium; in 2015 State Grid of China Corporation bought 60 per cent of the business.
 - 18 <https://www.afr.com/street-talk/macquarie-playing-all-sides-of-alinta-20100629-iaa9l>
 - 19 Nicholas Moore, A\$18.2 million; Bill Moss A\$15.1 million; Ottmar Weiss A\$11.5 million; Andrew Downe A\$10.3 million.
 - 20 Clarke got A\$18.97 million, Michael Carapiet \$22.9 million and Downe \$21.5 million that year.
 - 21 In 2008 Allan Moss earned A\$24.755 million, Moore \$26.751 million. Gail Burke, Michael Carapiet and Andrew Downe were the other top earners in the \$14–19 million range.
 - 22 See 2022 annual report pages 117 and 121. O'Kane's total remuneration for FY2022 was A\$36.223 million; Wikramanayake's was A\$25.82 million.
 - 23 Also, he says, 'we used to be conscious of the deals we didn't do. It got messy where people were just rewarded for doing deals, because it means there's no reward for not doing a deal, even if doing the deal turns out to be a total dog.'
 - 24 The idea of the NOHC first appears in public records in July 2006. 'This change would provide the bank with the flexibility to continue growing,' the 2007 annual report says. 'We currently operate under a banking regulatory model that does not readily accommodate our growth internationally and in non-banking business.'
 - 25 Now, thanks to Brexit, a UK licence doesn't provide a passport to anywhere in Europe, which is one reason Macquarie has staffed up heavily in Dublin and Paris. 'There has been a big jump in four or five regional hubs with cross-group capabilities in Europe,' says Stephen Moir, who heads communications for EMEA. Germany has always been important, and now Milan and Madrid are growing to critical mass too.

- 26 The 2008 annual report says: 'As a result of the restructure, Macquarie has greater flexibility to adapt to future business, market and regulatory changes.'
- 27 Another who might at one time have been considered a possible heir to the throne, Alastair Lucas, had lost out to Moore in the merger of their businesses back in 2001. Richard Sheppard, long Allan Moss's deputy, had joined about the same time, was about the same age and not a long-term candidate; he instead became CEO of Macquarie Bank Limited under the new structure.
- 28 This figure is from 31 March 2019. After credit markets began to become difficult from August 2007, Macquarie then raised A\$17 billion in the remainder of the financial year, and increased deposits by 30 per cent from A\$10.2 billion to A\$13.2 billion.
- 29 2008 annual report.

Chapter 10: The GFC

- 1 Camp Macquarie was founded by the risk management group in 1991 and is now called Success at Macquarie.
- 2 Evans is co-CEO of Shaw and Partners, formerly known as Shaw Stockbroking.
- 3 An advisory fee of \$56.1 million, a sponsor development fee of \$12.5 million, an equity underwriting fee of \$28.2 million and a dividend reinvestment plan underwriting fee of \$14 million, with Macquarie securing the right to be BrisConnections' exclusive financial adviser for a decade.
- 4 That's a major simplification of the Nicholas Bolton story, which is told in detail by *The Sydney Morning Herald* here: <https://www.smh.com.au/business/why-brisconnections-has-courtied-battle-with-unit-holders-20090327-9eca.html>
- 5 Co-author Joyce Moullakis broke this story with Sarah Thompson in the AFR in August 2014: <https://www.afr.com/companies/financial-services/macquarie-gave-favoured-customers-escape-route-in-brisconnections-float-20140820-jknmq>
- 6 That's the day Lehman Brothers filed for Chapter 11 bankruptcy. Over the course of that weekend, Merrill Lynch had been forced into a merger with Bank of America, and efforts had been made for Lehman to work with Barclays. The first merger worked, the second didn't, so Lehman went under.
- 7 As an independent voting director. <https://www.macquarie.com/au/en/about/news/2014/macquarie-group-board-update.html>
- 8 'Macquarie in the spotlight amid \$5 billion refinancing fears,' *The Australian*, 17 September 2008.

- 9 The mathematics behind this figure can be gleaned from page 45 of Macquarie's 2008 full-year management discussion and analysis document (page 47 of the PDF). This includes a pie chart for diversity of funding sources showing a total of \$76.9 billion; below it is a chart of term funding maturing beyond one year, including equity. The \$45 billion figure Ferguson quotes from Le Mesurier is roughly the difference between the two (actually A\$46 billion). This assumes everything not specifically marked as term funding maturing beyond one year is therefore maturing in less than one year, and also includes deposits, which in theory could have been withdrawn following a loss of confidence in the bank. Macquarie's numbers show that \$25.8 billion of issued paper—including negotiable certificates of deposit, secured funding and other issued paper—certainly fitted the bill and was maturing within a year. The same document shows Macquarie had cash and liquid assets of \$20.8 billion. All of these figures were from 31 March 2008. <https://www.macquarie.com/assets/macq/investor/results-and-presentations/2008/MGL-2008-Full-year-Management-discussion-and-analysis.pdf>
- 10 This is consistent with the full-year management discussion and analysis document cited earlier, showing the position at March 2008. A reminder, it showed A\$25.8 billion of issued paper (non-convertible debentures, commercial paper and other issued paper) that was clearly short-term in nature, as opposed to A\$30.9 billion of term funding including equity with a maturity date more than a year away; and it showed cash and liquid assets of A\$20.8 billion. <https://www.macquarie.com/assets/macq/investor/results-and-presentations/2008/MGL-2008-Full-year-Management-discussion-and-analysis.pdf>
- 11 It might have been simpler if ASIC had first checked Le Mesurier's maths, which was certainly open to interpretation but could be understood, but these were treacherous times. Instead, Le Mesurier's compliance department was phoned by ASIC, and he was asked to speak to the regulator's investigators as soon as possible, which he did at 3 pm that day. He explained that his analysis had been based on Macquarie's own disclosures on its funding profile. Ferguson herself, who received a broadside from popular press including the online gadfly newspaper *Crikey!*, would later discover through a Freedom of Information request to ASIC that the regulator had investigated her about a possible criminal offence. Five ASIC investigators had met on 24 September to discuss the matter, before concluding it was based on credible evidence and dropping it. In the meantime, Ferguson says in her book *Banking Bad*, a JPMorgan report had appeared coming up with pretty much the same numbers around refinancing as Le Mesurier and Ferguson had used.

- 12 A covered short sale is one where the seller has an exercisable and unconditional right to vest—such as through a binding stock lending agreement for the specific stock. Naked short selling occurs where that right doesn't exist.
- 13 The USA and UK banned covered short sales in financial stocks during the week leading up to that, followed by France, Germany, Switzerland, Ireland and the Canadian province of Ontario.
- 14 On 17 October 2008, following Chanos's *Squawk Box* appearance the previous day; *Squawk Box* producer Todd Bonin at CNBC was cc'd. <https://www.macquarie.com/assets/macq/about/news/2007/letter-to-jchanos.pdf>
- 15 A credit default swap, or CDS, is a financial derivative that allows an investor to swap or offset their credit risk with that of another investor. The wider the spreads go on CDSs, the greater the implied likelihood of default.
- 16 <https://www.asx.com.au/asxpdf/20081128/pdf/31dx4d3jxmfrhl.pdf>
- 17 Here are some key dates for the global financial crisis. The Troubled Asset Relief Program (TARP), passed by the US government in 2009 to purchase toxic assets and equity from financial institutions, was announced on 19 September; Morgan Stanley and Goldman Sachs were given bank holding company status, allowing them to accept deposits and stabilising both banks that Sunday, 21 September; Ireland guaranteed all bank deposits, in the first of a series of such events around the world, on 30 September; the Australian government announced increased deposit protection and guarantee arrangements for wholesale funding on 12 October; and further details, including the parameters of the wholesale funding scheme, followed on 24 October. The scheme became operational on 28 November under the administration of the Reserve Bank of Australia. The IMF meeting fell right in the middle of it all and the Australian intervention in the system did fall on that weekend. This Reserve Bank of Australia review of the government guarantee scheme is useful: [https://www.rba.gov.au/publications/bulletin/2016/mar/5.html#:~:text=The%20Australian%20Government%20Guarantee%20Scheme%20for%20Large%20Deposits%20and%20Wholesale,%2Dtaking%20institutions%20\(ADIs\)](https://www.rba.gov.au/publications/bulletin/2016/mar/5.html#:~:text=The%20Australian%20Government%20Guarantee%20Scheme%20for%20Large%20Deposits%20and%20Wholesale,%2Dtaking%20institutions%20(ADIs))
- 18 The lowest intra-day level, of \$14.75, came on 3 March 2009.
- 19 It had been in trouble since a 27 per cent share price fall in June 2008, well before the worst of the financial crisis, because of fears about debt levels at Babcock and its satellite funds; the fall was so extreme it triggered a debt covenant. The funds began selling assets to repay it, a trading halt followed in August, CEO Phil Green stepped down, dividends were axed, and the share price just kept falling. Unsecured

bondholders voted against a debt restructuring plan in March 2009 and the company became insolvent.

- 20 Although it would take until November for Allco to go into voluntary administration, its chairman and two other directors both resigned in March 2008 as investors became increasingly concerned about its debt levels.
- 21 By 19 per cent on the March 2008 half, or 43 per cent year on year from the September 2007 half.
- 22 The sale of Italian mortgages was announced on 20 October 2008 and was completed by the end of that month. Macquarie booked a net after tax charge of about A\$70 million, but got mortgages with a book value of €1.1 billion (A\$2 billion at the time) off its books. <https://www.asx.com.au/asxpdf/20081020/pdf/31czgp041lkx4x.pdf>

The sale of the margin loan portfolio to Leveraged Equities, a wholly-owned subsidiary of Bendigo and Adelaide Bank Limited, followed on 8 January 2009. This was a A\$1.5 billion loan portfolio sold for a premium of \$52 million. Macquarie Private Wealth struck a white label distribution agreement with Leveraged Equities so it could continue to sell Macquarie-branded margin loans to the client base. By the time of this second deal, A\$12 billion of balance sheet initiatives had been completed out of the A\$15 billion mentioned in the interim results. <https://www.asx.com.au/asxpdf/20090108/pdf/31fhkwfx14l05t.pdf>

- 23 On 9 March 2009, Citigroup CEO Vikram Pandit circulated an internal memo to staff saying Citi was profitable in the first two months of the quarter and was confident about its capital strength. Duly leaked, the memo spurred industry and market confidence.
- 24 The share price rose over \$57 by 30 September 2010, eighteen months after the \$15 low.
- 25 <https://www.asx.com.au/asxpdf/20081118/pdf/31dnm31dm8ygv4.pdf>
- 26 These were three funds managed by a joint venture between Macquarie, Old Mutual Investment Group and Kagiso Trust Investments of South Africa. South African Infrastructure Fund (SAIF) and African Infrastructure Investment Fund (AIIF) had portfolios of infrastructure projects including the N3 Toll Road and Kelvin Power station, as well as 30 per cent of the Kilimanjaro Airport Development Company in Tanzania. Kagiso Infrastructure Empowerment Fund (KIEF) was a pool of infrastructure equity designated as Black Economic Empowerment equity in the region.
- 27 This was an open-ended wholesale fund jointly managed by Macquarie Capital and a specialist management company owned by FKP, the largest retirement village owner and operator in Australia. It owned retirement assets in Australia and New Zealand.

- 28 Kilimanjaro Airports Development Company in Tanzania; Grupo Aeroportuario del Surest de Mexico in Mexico; Hanjin Pacific Corporation, Miaoli Wind and Taiwan Broadband Communications in Taiwan; Mediatel in Slovakia.
- 29 At 31 March 2022, although this includes both private markets and public investments, which by then included things like the mutual fund business that had grown out of the Delaware purchase (see Chapter 11). Private markets assets under management stood at A\$238 billion.
- 30 30 September 2008.
- 31 MIG set about selling its 50 per cent stake in Westlink M7, its interest in Portuguese bridge operator Lusoponte, and began a buyback. Macquarie Communications Infrastructure Group said it would divest its stake in Global Tower Partners and use all its available cash to repay A\$780 million of debt obligations that were coming due in the next three years. Like several other funds, it said it would take its base fees in securities. Macquarie International Infrastructure Fund, a Singapore-based vehicle, said it would repay all its corporate debt by the end of 2009 and change its dividend policy. And Macquarie Capital Alliance Group, a triple-stapled private equity group that was complex even by Macquarie's extravagant standards, agreed to a A\$837 million take-private acquisition in June 2008, in which it was sold to a consortium of investors through a new unlisted fund called Macquarie Advanced Investment Partners—which was still managed by Macquarie Group.

On 2 March 2009 it was announced that a sale of a 25 per cent interest in Westlink M7 had taken place on 27 February 2009 for A\$402.5 million, bringing MIG's cash balance to A\$1 billion, and that MIG was still seeking to sell its remaining 25 per cent stake. On the same day Macquarie Media Group announced a A\$50 million buyback. 'In terms of debt funding arrangements, none of the businesses within the Macquarie ASX listed specialist infrastructure funds have any uncovered refinancing requirements for 2009. For the major listed real estate funds, Macquarie Office Trust and Macquarie Countrywide Trust, the 2009 refinancing requirements are currently anticipated to be covered by initiatives already completed or announced.' <https://www.asx.com.au/asxpdf/20090302/pdf/31gcmntdp4q2w0.pdf>

The sale of Lusoponte was achieved on 30 September 2008 for €112 million (A\$227 million at the time). The sale of the Global Tower Partners stake actually happened before the GFC really kicked off, for US\$363 million on 22 August 2008. Macquarie Media Group, another fund, had sold its stake in Taiwan Broadband Communications for A\$392 million earlier still, on 12 March 2008.

- 32 Macquarie Office Trust sold its interest in the Wachovia Financial Centre for US\$182.5 million on 12 December 2008. Between October 2008 and 1 March 2009, Macquarie Countrywide Trust completed asset sales of A\$548 million across its Australian and US portfolios.
- 33 On 2 March 2009 Macquarie, in an ASX filing, would say the total consideration was €941 million for a 50 per cent stake in Copenhagen Airport and 42 per cent of Brussels Airport. <https://www.asx.com.au/asxpdf/20090302/pdf/31gcmntdp4q2w0.pdf>
- 34 . . . which, among other things, redeemed and cancelled hybrid securities issued by DUET Group, a power utility fund; refinanced C\$1.2 billion on our old friend, the 407 in Toronto; and refinanced €250 million of Autoroutes Paris-Rhin-Rhone, a French tolled motorway partly owned by MIG.
- 35 To 30 September 2008.
- 36 <https://www.asx.com.au/asxpdf/20090331/pdf/31gvczq823k77.pdf>
- 37 <https://www.asx.com.au/asxpdf/20090625/pdf/31j7lsykdz6ssg.pdf>
- 38 It was then called MAp Airports.
- 39 It's hard to be sure how many were made redundant. The headcount disclosed in the 2009 annual report was 12,700, a drop of 300 people from the 13,000 in 2008, but there were also acquisitions of six new businesses, some with reasonably substantial headcount. Three hundred is the aggregate figure but the number of ins and outs would have been far higher.

Chapter 11: Don't waste a good crisis

- 1 <https://www.macquarie.com/au/en/about/news/2009/macquarie-group-to-acquire-constellation-energys-downstream-natural-gas-trading-operations.html>
- 2 <https://www.macquarie.com/au/en/about/news/2009/macquarie-group-to-acquire-delaware-investments.html>
- 3 Macquarie's record full-year net profit of A\$4.706 billion for the year to 31 March 2022 included a net profit contribution of A\$3.911 billion from Commodities and Global Markets, up 50 per cent year on year. In comparison Macquarie Asset Management delivered A\$2.15 billion, Banking and Financial Services A\$1 billion, and Macquarie Capital A\$2.4 billion. These figures are all for management accounting profit before unallocated corporate costs, profit share and income tax, which is why they don't add up to the overall full-year profit number. In the first half of 2023, numbers for the six months to 30 September 2022, released in October 2022 after this book was laid out, the momentum continued, with CGM delivering a net profit of A\$1.996 billion, up 15 per cent on first half 2022 but down 9 per cent on second half 2022.

- 4 In the 1984 financial year forex and money market businesses were merged into a treasury unit under Phil Gardiner, and a bullion and commodities unit was created under Clive Carroll. See 1984 annual report. Carroll had been promoted to the Hill Samuel Australia board in the 1981 financial year, at which time he was director of commodity trading in Sydney. See 1981 annual report.
- 5 Ray Hall stepped down in 1997 as head of the treasury and commodities group.
- 6 By the 1996 financial year Ray Hall was serving on the Exco as head of treasury, with Andrew Downe one level down in bullion and commodities, and Simon Wright in capital markets and foreign exchange.
- 7 The purchase was confirmed on 21 October 2005. It was also confirmed that Nick O'Kane would relocate to Los Angeles to manage the division and that the founder and CEO, Gregory Craig, and the president, Hans Saebj, would join the Macquarie team as directors and remain in management. Cook Inlet was described at the time as 'providing physical natural gas trading, transportation and storage services to North American natural gas producers, utilities, wholesalers and industrial consumers', and the acquisition brought 59 staff, mainly energy traders and marketers. <https://www.afr.com/companies/macquarie-bank-plugs-into-california-20051022-jj5cx>

Even by Macquarie standards it was a big week. Macquarie Capital Alliance Group bought the Nordic telephone directories operation TDC Forlag for \$1.04 billion. Macquarie and FKP Property Group announced they had bought 60 per cent of the New Zealand retirement village owner Metlifecare. Macquarie bought the Isle of Man Steam Packet Group, the longest continuously operating passenger shipping company in the world, for £225 million (then A\$526 million), on the bank's own balance sheet but with the possibility of moving it to a managed fund. And Macquarie Infrastructure Group announced a consortium it was a part of had been selected to provide three road projects in Oregon.

- 8 <https://www.ogj.com/general-interest/article/17247257/aquila-to-withdraw-from-energy-marketing-trading-business>
- 9 Hurricane Katrina, August 2005, and Hurricane Rita the following month.
- 10 <https://www.naturalgasintel.com/constellation-to-sell-downstream-gas-trading-operations-2/>
- 11 Curiously Hochberg, who joined from Cook and was there for the Constellation acquisition, would then leave the merged business to go to the part of Constellation Macquarie hadn't bought, before coming back again in 2017, and now runs a business acquired from Cargill.

- 12 The deal came with a related agreement for Macquarie Cook Energy (as it was still called at the time) to supply natural gas to Constellation NewEnergy Gas, a Constellation Energy retail gas subsidiary based in Louisville, Kentucky. At the time of acquisition, the Constellation Energy downstream natural gas trading unit averaged ten billion cubic feet of natural gas marketing per day and had about 130 employees; by comparison, Macquarie Cook Energy averaged three billion cubic feet per day and had 80 employees. The announcement also gave an update on Macquarie Cook Power, an affiliated business servicing North American electricity producers and utilities, which had been set up in 2007. This announcement also confirmed the move to Houston, with O'Kane in charge of the expanded division.
- 13 We speak on the 33rd floor of the Houston office; the trading floor is two levels down.
- 14 A third, Cargill's North American power, gas and global petroleum businesses, would follow in 2017.
- 15 One thing Macquarie did have to change was the attitude to risk. 'The biggest difference between the two is the risk culture Macquarie has,' says Pagan. 'That's way more robust, way more emphasis on what-if scenarios and making sure we're capitalised well and that our liquidity positions can support our activities—which is where Constellation fell over.'
- O'Kane recalls this as the one thing Macquarie couldn't let find its own shape over time. 'One reason we've been successful in the way we've done acquisitions is we haven't gone in and said: you have to do everything our way,' he says. 'But the risk parameters are not negotiable.'
- 16 Mark-to-model refers to pricing positions determined by a financial model of kind. Mark-to-market means letting the market decide what that price is. Mark-to-model tends to be used in opaque areas where it's not obvious from markets what the price should be. Mark-to-model gained something of a bad name when Enron used the model to price futures contracts. Warren Buffett famously dubbed the approach 'mark-to-myth'.
- 17 He departed as head of Commodities and Global Markets on 31 March 2019, also leaving the Exco on that date, but according to the 2019 annual report continued to lead cash equities globally. Nick O'Kane replaced him as head of CGM, which he still is.
- 18 In the 2022 financial year this financial markets business, also including futures and equity derivatives trading, accounted for 26 per cent of CGM, and asset finance was 9 per cent. See page 73 of this operational briefing from 2020 for a presentation by Simon Wright on his business: <https://www.macquarie.com/assets/macq/investor/results-and-presentations/2020/MGL-2020-Operational-briefing---Commodities-and-Global-Markets.pdf>

- 19 The Troubled Asset Relief Program (TARP) was passed by the US government in 2009 to purchase toxic assets and equity from financial institutions. By June 2012, US\$467 billion had been allotted, and US\$416 billion spent, through TARP. One key element of TARP was that the government expected to be repaid for its outlays. In practice, most institutions wanted to do that as soon as possible in order to free themselves from both the stigma of TARP and some of its restrictions, such as executive compensation limits. Consequently many sold assets in order to repay.
- 20 At first it retained the Macquarie Funds Group title, but that didn't last long.
- 21 To be precise, he crossed it to attack the Hessians, who were German auxiliaries in the service of the British. Today the Delaware River is crossed by the Benjamin Franklin Bridge between Pennsylvania and New Jersey; from the bridge, you can see the logo of the new Macquarie building in Philadelphia.
- 22 Instinctively, Coyne liked the idea of a private equity structure, but the bidder had wanted to use a model that would have required Lincoln to buy their high yield debt back, which made no sense for an institution that just needed capital.
- 23 That is to say, there was no overlap in the asset management business between Macquarie and Delaware in 2010. Therefore Macquarie desired all Delaware's business units and personnel, whereas Aberdeen, for example, would have encountered personnel and business unit duplications would have led them to cut costs.
- 24 For US\$428 million in cash Macquarie would gain a firm with over US\$125 billion under management, more than double the US\$67 billion-equivalent (A\$80 billion) that Macquarie Funds Group, the division Bruck had been running, had under management as a fund manager. By the time the deal closed, on 4 January 2010, Delaware's AUM figure had already gone up by another US\$10 billion.

The transaction was funded out of Macquarie Bank Limited, pulling down the Tier 1 capital ratio there by 1.2 per cent. Naturally, Macquarie Capital (USA) was the financial adviser. The announcement confirmed that Coyne would remain and continue to run Delaware, reporting to Bruck, who would relocate to Philadelphia.

Including the unlisted funds was a different matter: upon completion of the transaction the combined total assets under management of Macquarie and Delaware was over US\$300 billion, A\$361 billion. <https://www.macquarie.com/au/en/about/news/2009/macquarie-group-to-acquire-delaware-investments.html> and <https://www.macquarie.com/au/en/about/news/2010/macquarie-group-completes-acquisition-of-delaware-investments.html>

- 25 This deal, a relatively rare stroke of ambition for Macquarie in China outside of real estate, involved two separate funds. One was for international institutions looking to buy into Chinese infrastructure. The other would be aimed at the Chinese market, would allow investments in yuan, but would target the same sectors under the same mandate. <https://www.wsj.com/articles/SB125065237765942259>
- 26 <https://www.macquarie.com/au/en/about/news/2009/macquarie-group-to-acquire-fox-pitt-kelton-cochran-caronia-waller.html>
- 27 Specifically cash equities, equity derivatives and structured products. See a release on Tristone here: <https://www.macquarie.com/au/en/about/news/2009/macquarie-group-completes-acquisition-of-tristone-capital-global-inc.html> and Sal Oppenheim here: <https://www.macquarie.com/au/en/about/news/2009/macquarie-to-acquire-sal-oppenheims-equity-derivatives-and-structured-products-business.html>
- 28 In March 2018: [https://www.macquarie.com/au/en/about/news/2018/macquarie-group-to-acquire-luxembourg-based-valueinvest-asset-management.html#:~:text=Macquarie%20Group%20to%20acquire%20Luxembourg%20Dbased%20ValueInvest%20Asset%20Management,-Link%20copied%20to&text=Macquarie%20Investment%20Management%2C%20the%20investment,Asset%20Management%20S.A.%20\(ValueInvest\)](https://www.macquarie.com/au/en/about/news/2018/macquarie-group-to-acquire-luxembourg-based-valueinvest-asset-management.html#:~:text=Macquarie%20Group%20to%20acquire%20Luxembourg%20Dbased%20ValueInvest%20Asset%20Management,-Link%20copied%20to&text=Macquarie%20Investment%20Management%2C%20the%20investment,Asset%20Management%20S.A.%20(ValueInvest))
- 29 The primary market refers to something being issued in the first place: shares, bonds, a loan. The secondary market involves trading this once they've been issued. We all do this with shares on the stock exchange, but it can also be done with loans.
- 30 See Aaron Patrick's article here: <https://www.afr.com/companies/financial-services/macquarie-banker-ben-brazils-highrisk-debt-unit-in-labor-royal-commission-view-20160426-gofbei>
- 31 See the chart on page 69 of this presentational from the 2016 operational briefing, which starts in January 2009 with the annotation 'capability at inception focused on primary and secondary loans'. This chart also illustrates movements in credit spreads in single B and BB-rated loans—there was a time in January 2009 when credit spreads were 2000 basis points on single B—and also shows how the book size varied between about A\$9–12 billion from 2010 to 2015. <https://www.macquarie.com/assets/macq/about/news/2016/mgl-about-news-2016-operational-briefing-full-presentation.pdf>

The 2010 annual result disclosed that the loan and finance lease portfolios rose to A\$12.9 billion from A\$6.9 billion in the year to 31 March 2010, partly because of the acquisition of A\$1 billion of auto finance portfolios from Ford Credit, which was exiting the Australian market, and a portfolio of 47 modern aircraft from International Lease Finance Corporation for US\$1.7 billion.

- 32 See page 30 of this presentation: <https://www.macquarie.com/assets/macq/investor/results-and-presentations/2010/MGL-2010-Full-year-Result-presentation.pdf>
- 33 CAF contributed A\$264 million to total profit in the 2010 financial year, up from A\$66 million the previous year. That 40 per cent decline in operating lease income followed a decrease in the operating lease portfolio from A\$1.4 billion at March 2009 to A\$692 million in March 2010. <https://www.macquarie.com/au/en/about/news/2010/macquarie-group-announces-aud1-05b-full-year-profit.html>
- 34 See also the chart on page 52 which shows \$3.7 billion in corporate lending portfolio growth <https://www.macquarie.com/assets/macq/investor/results-and-presentations/2010/MGL-2010-Full-year-Result-presentation.pdf>
- 35 That \$33 billion figure is quoted from a 2016 operational briefing, and is referred to in the AFR here: <https://www.afr.com/companies/financial-services/macquarie-becomes-global-junk-debt-player-20160317-gnkljm>. The size of the funded loan portfolio at any given time in those years was typically around A\$10 billion, for example, A\$10.1 billion at 31 December 2015.

This video following an operational briefing in February 2016 explained the structure of CAF at the time, including CAF Lending: <https://www.youtube.com/watch?v=yrWhpigUJOk>. Ben Brazil comes in at 3.30.

- 36 <https://www.macquarie.com/au/en/about/news/2012/macquarie-appoints-ben-brazil-as-co-head-of-corporate-and-asset-finance-group.html>
- 37 Annual reports 2015–2020.
- 38 <https://www.macquarie.com/au/en/about/news/2010/letter-to-sydney-morning-herald-in-response-to-weekend-business-article-on-23-january.html>

Overall, Stuart Green notes that A\$4.5 billion of fees were earned by the government from the institutions it supported, with zero losses, citing a Reserve Bank Bulletin which reviewed the scheme in the March quarter of 2016.

- 39 In an operational briefing in February 2010, Macquarie said it had not raised money under the government guarantee since August 2009. <https://www.macquarie.com/au/en/about/news/2010/macquarie-group-operational-briefing-2010.html>. Its US\$1 billion 10-year bond in January 2010 brought the total of non-guaranteed debt to US\$2.5 billion in the previous six months.
- 40 Stuart Green says that in 2007 and 2008 Macquarie's term funding issuance was A\$33 billion. For 2009–10, the period covered by the

guarantee, it was A\$32.5 billion. ‘It was virtually identical in terms of the amount.’

- 41 31 March 2010. A unitholders meeting was held on April 22, then the transition took place on 31 July. See page 24 for dates and page 26 for the impact on the funded balance sheet. <https://www.macquarie.com/assets/macq/investor/results-and-presentations/2010/MGL-2010-Full-year-Result-presentation.pdf>
- 42 <https://www.asx.com.au/asxpdf/20100422/pdf/31pxm83sx4qf90.pdf>
- 43 <https://www.macquarie.com/au/en/about/news/2010/changes-to-some-operating-groups-and-new-executive-committee-appointments.html>
- 44 Beneath the surface, the global infrastructure and real estate funds became Macquarie Funds Direct under John Roberts as chairman and London-based Martin Stanley as infrastructure assets head (a year later yet another reorganisation would create Macquarie Infrastructure and Real Estate, or MIRA, to house these funds, and even that’s now obsolete, with MIRA being replaced by Macquarie Asset Management in mid-2020). The same day, Tim Bishop, Stevan Vrcely and Garry Farrell were appointed to the Exco, which told us two things: that Macquarie was paying increasing attention to the importance of the US, where Bishop was country head at the time; and that corporate and asset finance, which that day inherited all of Macquarie’s real estate lending activities, warranted a seat at the top table.
- 45 For non-EDs, all retained profit share would pay out in Macquarie stock, and the number of new share options granted would be reduced.
- 46 2022 annual report, page 97. <https://www.macquarie.com/assets/macq/investor/reports/2022/macquarie-group-fy22-annual-report.pdf>
- 47 The changes were linked to a review of a new regulatory standard and to the global war for talent making staff retention more difficult. The deferral for key executives is being cut from seven years to five years, but is offset by Macquarie’s elimination of accelerated vesting upon retirement.
- 48 <https://www.asx.com.au/asxpdf/20100730/pdf/31rlskhr9tbkns.pdf>
- 49 Along with every other director who was standing for re-election.
- 50 Campbell and Maguire are only two examples of artists whose careers were still in their formative stages when their works were acquired.
- 51 The trio are the most recent chairs of the Macquarie Foundation, with Harvey serving as the current chairman.

Chapter 12: Australian roadtrip

- 1 <https://www.theguardian.com/environment/2019/feb/28/burning-issue-are-waste-to-energy-plants-a-good-idea>
- 2 <https://www.kwinana.wa.gov.au/#content>

- 3 <https://arena.gov.au/projects/Kwinana-waste-to-energy-project/>
- 4 Page 37 of Macquarie's 2019 annual report. file:///C:/Users/moull/Downloads/Annual%20Report%20-%202019.pdf
- 5 https://www.bp.com/en_au/australia/home/media/press-releases/kwinana.html
- 6 https://www.bp.com/en_au/australia/home/media/press-releases/green-hydrogen-feasibility-study-at-clean-energy-hub.html
- 7 Macquarie's critical minerals and energy chairman Robert Dunlop says: 'We do everything with partners, it's really important that we do things with partners, because we need to use the best know-how'
- 8 BP buys 40.5pc stake in Pilbara hydrogen project, which it will operate with Macquarie, Intercontinental Energy and CWP Global (theAustralian.com.au).
- 9 'BP has got very good customer relationships with all of those players,' Robert Dunlop adds.
- 10 *Agjournal*, May 2022, pages 26–9
- 11 O'Leary's focus is driven by the convergence of two macro factors—the first, the looming 25 per cent expected increase in the world's population over the coming decades and a need for agriculture to double food production in response. The second is the emergence of an environmental marketplace which values the role natural assets can play in the decarbonisation effort through changes to land use.
- 12 Technology, according to O'Leary, will be key to producing more with less. Her operations have adopted precision agriculture where GPS guidance technology and geospatial and electromagnetic data provide insights on how to optimally farm every square metre of farmland while also recognising that some landscapes are better suited to restoration and environmental projects. In Macquarie's portfolio, O'Leary has seen continued opportunities to support and adopt innovations including robotics, biologicals, advanced analytics and precision nutrient management.
- 'Quirky asset investment makes a comeback', <https://www.afr.com/politics/quirky-asset-investment-makes-a-comeback-20040407-j7bqm>
- 13 So, it was basically an investment in one-third of a hectare of forestry land, with a commitment it would be sold when the trees were harvested in 10 years, plus rent of 10 per cent of the net harvest proceeds.
- 14 https://www.treasury.sa.gov.au/__data/assets/pdf_file/0007/516076/Lands-services-commercialisation-media-release.pdf

In the same year the abovementioned transaction was sealed, Macquarie was part of group that missed out on the privatisation of New South Wales' land registry which ended up going to First State Super and Hastings Fund Management.

- 15 <http://www.lallalwindfarms.com.au/wp-content/uploads/LLWF-fact-sheet.pdf>
- 16 <https://www.weeklytimesnow.com.au/news/national/grand-vision-for-a-new-lal-lal-dynasty/news-story/14859412a82556dddb54d740913791b9>
- 17 According to the *Australian Financial Review*, the wind farm is being strategically reviewed by its owners ahead of a potential sale.
- 18 <https://www.afr.com/street-talk/igneo-picks-up-60pc-of-victorian-wind-farms-lal-lal-20220908-p5bgcd>
- 19 <http://murrawarrawindfarm.com/about/>
- 20 ‘Power players sniff the wind and descend on renewables projects’, <https://www.theaustralian.com.au/business/dataroom/power-players-sniff-the-wind-and-descend-on-renewables-projects/news-story/488154d968fe6e0704a421d023812721>
- 21 <https://www.planning.nsw.gov.au/Assess-and-Regulate/State-Significant-Projects/Sydney-Metro/Martin-Place-Metro-Station-Precinct>
- 22 John Pickhaver adds: ‘We’re close to the market. Here’s an opportunity. Let’s go and do it’.
- 23 The Macquarie Foundation—its philanthropic arm—also got involved in due diligence on the charities and operators the company was looking at for potential partners.
- 24 <https://www.theAustralian.com.au/nation/politics/disabled-move-is-long-overdue-says-martin-laverty/news-story/f0ad845602c27286ed4faff38c4f3468>
- 25 SDA Investor Think Tank, August 2021 report on Specialist Disability Accommodation.
- 26 The sites are typically chosen around factors such as proximity to communities, retail and leisure facilities, medical practitioners and public transport.
- 27 <https://www.portofnewcastle.com.au/master-plan-2040-2/>
- 28 <https://www.portofnewcastle.com.au/news/green-hydrogen-hub-set-for-phase-1-construction-following-diser-funding-boost/>
- 29 ‘It has to be real and it has to be transparent,’ Carmody adds.
- 30 <https://www.goldcoastairport.com.au/latest-news/new-cafes-bars-and-shops-on-the-way-for-gca>
The terminal has also facilitated the addition of direct Gold Coast to Bali flights which will commence in 2023.
- 31 Via The Infrastructure Fund it also has a small holding in Perth Airport, but Macquarie sold out of its stake in Hobart Airport, the gateway to the capital of Tasmania, in 2019.

- 32 <https://www.theAustralian.com.au/business/property/chinas-shandong-ruyi-exits-cubbie-station-as-macquarie-takes-control-of-famed-cotton-property/news-story/e8ba88b7e27bT2f94888c1ee50c4aba6e>
Despite the ownership change in 2022, Paul Brimblecombe continues as Cubbie CEO.
- 33 <https://cubbie.com.au/wp-content/uploads/2019/08/Cubbie-press-release-020819.pdf>

Chapter 13: Selling the message amid controversy

- 1 <https://www.macquarie.com/assets/macq/investor/results-and-presentations/2012/MGL-2012-Half-year-Result-presentation.pdf> (pages 7 and 48–9).
- 2 ‘The strength of the annuity-style businesses offset the significantly lower results from the market-facing businesses,’ the 2012 interim results said. Macquarie had posted a 24 per cent drop in first-half profit to A\$305 million, compared to the same period a year earlier.
- 3 The 2012 annual report also said: ‘The approach, called “freedom within boundaries”, encourages both innovation and accountability.’
- 4 The first reference to these terms is in the 2015 annual report. See the Code of Conduct for more on this: <https://www.macquarie.com/assets/macq/impact/esg/policies/Code%20of%20conduct.pdf>
- 5 <https://www.macquarie.com/assets/macq/investor/results-and-presentations/2012/MGL-2012-Half-year-Result-presentation.pdf> (page 17).
- 6 <https://markbouris.com.au/>. Mark Bouris’s Wizard was among the first non-bank players to scale up the use of securitisation in Australia.
- 7 Sprawling conglomerate General Electric snapped up Wizard in a deal reportedly worth more than A\$500 million.
- 8 James Packer was at one stage also among the largest individual shareholders in Macquarie. Pamela Williams’s book *Killing Fairfax* also recounts that Nicholas Moore was pitching the plan—and pushing hard—for Packer to buy Fairfax Media alongside Macquarie. ‘I luckily dodged that bullet,’ Packer says in the text.
- 9 ‘Mark Bouris fights on for Yellow Brick Road, detractors circle,’ <https://www.afr.com/companies/financial-services/mark-bouris-fights-on-for-yellow-brick-road-detractors-circle-20180906-h15109>
- 10 ‘Media release: Lendi and Aussie today join forces,’ <https://www.lendi.com.au/about-us/media/lendi-and-aussie-today-join-forces/#:~:text=In%202021%2C%20Lendi%20and%20Aussie%20merged%20to%20create,technology%20to%20drive%20better%20customer%20outcomes%20and%20experiences.>

- 11 <https://www.afr.com/companies/financial-services/macquarie-group-opts-not-to-follow-bouris-down-the-yellow-brick-road-20180831-h14sd0>
- 12 This deal priced in July 2010, breaking all IPO records worldwide at the time. Macquarie lined up with CICC, Deutsche Bank, Goldman Sachs, JPMorgan and Morgan Stanley on the Hong Kong offering. <https://www.reuters.com/article/us-agbank-idUSTRE6651C120100706>
- 13 Other key IPOs on which Macquarie worked were China Railway Construction Corporation, China Minsheng Bank and China Zhongwang Holdings. It also formed a memorandum of understanding with China Universal Asset Management to develop fund products for Chinese and global investors, invested in a Sino-Australian trust company in Shanghai and in a number of infrastructure and other assets in China in partnership with local funds.
- 14 See annual reports 2011 and 2012.
- 15 See management discussion and analysis. For the six months to March 2022, Asia earned A\$568 million, the Americas A\$5.25 billion, and EMEA A\$1.55 billion. The full-year figures were A\$1.14 billion Asia, A\$8.25 billion Americas and A\$3.5 billion EMEA.
- 16 In the 2022 results briefing, 3943 in Asia compared to 3190 in the Americas and 2502 in EMEA, as well as 7951 in Australia.
- 17 See 2012 annual report page 6, and 2022 management discussion and analysis. It should be pointed out that Asian full-year income for 2022 declined 20 per cent year on year partly because of the higher impairment of an underperforming equity investment. But it was also lower brokerage income.
- 18 2022 management discussion and analysis page 80. However, much more Asian money appears in unlisted funds where the income earned from their management will be allocated to the regions where those funds are based. <https://www.macquarie.com/assets/macq/investor/results-and-presentations/2022/macquarie-group-fy22-mda.pdf>
- 19 In the 2022 full year, CGM generated A\$771 million of income in Asia, compared to A\$2.37 billion in the Americas, A\$2.15 billion in EMEA and A\$886 million in Australia. In fact, CGM accounted for the vast majority of Asia income by group in 2022: 68 per cent, compared to 21 per cent from Macquarie Asset Management and 9 per cent Macquarie Capital (percentages rounded).
- 20 'Fee compression' basically means fees being squeezed: banks being able to charge less for similar deals than they used to.
- 21 This is partly a question of valuation—Ben Bruck says the multiples required for investment in assets in China and Japan were the highest he ever encountered, making it hard to make acquisition—and also of

structure. 'Each country, and one in particular, came with extraordinary regulatory and legal risks, and you really didn't know at the end of the day what you were buying.'

- 22 The word 'China' does not appear once in the 92-page management discussion and analysis document for the 2022 financial year.
- 23 This was the first cross-border CMBS (commercial mortgage-backed securities) deal ever completed, involving properties located in mainland China, in October 2006. It was conducted by Macquarie Wanda Real Estate Fund, a joint venture between Macquarie and the Chinese property developer Dalian Wanda. Macquarie and Citi jointly arranged a US\$145 million issue called Dynasty Assets secured over shopping malls in nine different cities in Eastern China. Andrew Low, the then-head of Macquarie Capital Asia, also presided over a golden era for Macquarie's equity capital market business in Asia which peaked with it ranking as the top underwriter of IPOs in Hong Kong in 2008. He was promoted to COO of Macquarie Capital in 2009, then left the bank in 2010 to start his own advisory firm.
- 24 Ben Way adds: 'We'll have to have a bigger presence in China than we do today. But at the same time, if we had two years ago decided to go hard into China we would have had to pay an enormous premium and do it with a partner. Those marriages rarely end well.' Way is referring to the fact that, until very recently, entering China either as an asset manager or an investment bank required a joint venture model in which the foreign house did not have operational or legal control, some pilot projects notwithstanding. That has since changed. 'Now we can enter China by ourselves much more efficiently and economically.'
- 25 Smith adds: 'So it was Macquarie's quiet discipline: where was the advantage we could offer above and beyond what clients could get from other in-country banks? Or banks with much bigger balance sheets like Goldman and JPMorgan? Well, in China, our niche wasn't clear.'
- 26 2022 results briefing page 26. The underlying source of these figures is Oxford Economics, 'Global Infrastructure Hub, Global Infrastructure Outlook'. <https://www.greeninvestmentgroup.com/en/news/2022/macquarie-asset-managements-green-investment-group-and-hydro-rein-to-develop-hybrid-wind-and-solar-project-in-brazil.html>

The Indian government alone announced US\$1.4 trillion of infrastructure spending in August 2021; and in China, the same amount was committed to digital infrastructure alone to 2025 in May 2020. Much of this effort will clearly be in renewables, and Macquarie cites a renewable target of 23 per cent of total ASEAN primary energy supply by 2025, and 24 per cent of installed power capacity, as an example.

- 27 Asked about State Bank of India and the fund Macquarie developed with it, Kwok says: 'It's definitely a fund where we've learned lessons.' In hindsight, going into coal-fired power stations in India was probably a mistake they should have seen coming. One senses a renewed push into India now, which gained attention with the close relationship Wikramanayake and Tata chairman Natarajan Chandrasekaran clearly had when one interviewed the other at the United Nations Climate Change Conference (COP26) presentation in Glasgow in 2021.
- 28 Macquarie began by setting up country-specific funds in India (launched in 2008), China (MOU signed with China Universal to develop China funds in 2010 financial year) and the Philippines (launched in 2012), then began its MAIF (Macquarie Asia Infrastructure Funds) series of funds in 2014. 'When it comes to risk, it's been helpful for MAIF that we've had two decades of experience and track record in emerging markets,' says Verena Lim. Kwok says on MEIF (Macquarie European Infrastructure Funds, the European equivalents of MAIF), versus Asia-focused infrastructure funds: 'We are relatively less mature to those businesses. We're probably five to ten years behind in terms of scale.'
- 29 Macquarie rules off its year on 31 March. <https://www.macquarie.com/assets/macq/investor/results-and-presentations/2012/MGL-2012-Full-year-Result-presentation.pdf> (page 44 guidance at the time signalled BFS, Macquarie Capital, Macquarie Securities and the FICC division were expected to deliver higher earnings the following year, while CAF and Macquarie Funds were likely to see results in line with 2012).
- 30 The 1999 annual report noted the private client business, then in the Equities Group, merged with regional broking firms to form Macquarie Nevitts in Brisbane, Macquarie Porter Western in Perth and Macquarie Day Cutten in Adelaide. Macquarie Financial Services was formed within the Equities Group, combining the private client business with the direct distribution business from Investment Services.
- 31 <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2013-releases/13-010mr-asic-accepts-enforceable-undertaking-from-macquarie-equities-ltd/>
- 32 John Nyland, who was chair of the Macquarie board's governance committee, was among those to roll up their sleeves on the EU deliverables process.
- 33 Macquarie Group makes major broker commission change (theAustralian.com.au)
- 34 Financial System Inquiry Final Report | Treasury.gov.au
- 35 <https://www.smh.com.au/business/banking-and-finance/penske-file-exposed-macquarie-groups-cheat-sheet-made-public-20140919-10j8yu.html>

- 36 <https://www.theAustralian.com.au/business/financial-services/macquarie-sidelines-wealth-head-eric-schimpf-after-asic-censure/news-story/43a12dde55abc442ca3d3e9add2de22f#:~:text=Mr%20Marynissen%20is%20also%20the%20group%E2%80%99s%20integrity%20officer%2C,time%20at%20Macquarie%E2%80%99s%20market%20leading%20cash%20management%20trust>
- 37 ‘To me, Eric was part of the solution, not the problem. But it ended up all being conflated,’ Maher says.
- 38 <https://macquarie.interactiveinvestorreports.com/2013AnnualReview/about-macquarie.html>
- 39 <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2015-releases/15-022mr-macquarie-equities-limited-enforceable-undertaking-and-next-steps/>
- 40 <https://www.afr.com/companies/financial-services/macquarie-private-wealth-hit-by-mass-adviser-exodus-20190106-h19rvi>. Departures over this period included Trent Savage, Andrew White, Michael Harwood, Matthew Chambers, Bevan Sturges-Smith and Michael Moursellas, John Fowler, Emma Trengove and Nick Pyne.
- 41 <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2014-releases/14-244mr-asic-and-bank-of-queensland-reach-storm-financial-settlement/>
- 42 ASIC said by late 2008 and early 2009 many of Storm’s customers ‘were in negative equity positions, sustaining significant losses’.
- 43 <https://www.bendigobank.com.au/media-centre/bendigo-and-adelaide-bank-buys-macquarie-margin-lending-portfolio/>
- 44 The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry came about in Australia after a series of scandals came to light about the treatment of bank, life insurance and financial advice customers. It held public hearings in 2018 and a final report was issued—including recommendations—in 2019.
- 45 <https://www.youtube.com/watch?v=-qznBTOXQso>
- 46 <https://www.macquarie.com/assets/macq/about/disclosures/us-investors/mbl/mgl-ceo-nicholas-moore-to-retire.pdf>
- 47 <https://www.royalcommission.gov.au/banking/final-report>
- 48 Revelations fleshed out at the royal commission also saw the CEO and chairman of AMP exit the beleaguered wealth group, although much of that fallout occurred in 2018.
- 49 Moore continued: ‘So we would expect our risk management group would detect any failings. We’ve got a third line of defence, of course, as well, being internal audit that hopefully would pick up any failings that weren’t picked up through the second line.’
- 50 <https://www.macquarie.com/assets/macq/investor/results-and->

presentations/2019/MGL-2019-Half-year-Result-presentation.pdf (pages 11 and 6).

51 *Killing Fairfax*, Pamela Williams

52 <https://www.ato.gov.au/law/view/document?docid=LIT/ICD/1921of2013/00001>

53 <https://www.macquarie.com/assets/macq/investor/results-and-presentations/2022/macquarie-group-fy22-presentation.pdf> (page 41).

54 'As previously noted, in total, the German authorities have designated as suspects approximately 100 current and former Macquarie staff, most of whom are no longer at Macquarie,' the disclosure said. 'There are also a number of German civil claims relating to dividend trading. While Macquarie disputes any such claims, it continues to provide for these and other German dividend trading matters.'

55 <https://www.macquarie.com/au/en/about/news/2010/macquarie-to-acquire-a-portfolio-of-aircraft-from-aigs-international-lease-finance-corp.html>

Of the 53 aircraft that Macquarie has agreed to acquire from International Lease Finance Corporation (ILFC), the deal was initially structured like this: Macquarie would acquire 47 aircraft for US\$1.67 billion, and was funded from existing cash reserves. Macquarie would then transfer to Macquarie AirFinance Limited, an international leasing firm of which it owned 37.5 per cent, the right to purchase six of the 53 aircraft directly from ILFC on similar terms to Macquarie.

56 <https://www.smh.com.au/business/banking-and-finance/macquarie-group-in-capital-raising-for-us4b-awas-aircraft-acquisition-20150304-13uf19.html>

57 RBS sells aircraft leasing unit to Sumitomo for \$7.3bn—BBC News.

58 Allied buys Macquarie dealer finance book (goauto.com.au).

59 'It's all collateral based, the difference being you are working in the commodities space so you need a background in commodities to know if you might be getting your machine back,' Coyle says. 'It's not a phone, it's big heavy units. There's been instances where fraud has happened where companies claim assets go missing. Well, you can't lose a 10,000 ton truck in the desert.' Handling deals in Africa, the team had to work out plans in order to get equipment out again, which is not just a question of paperwork. 'Legally it might be a six or twelve month process to get something back, but the question is physically how you do it and ensure the safety of your staff. You may have the legal right, but someone may say: we don't want you to take the machine, and we've got a gun.'

60 Coyle adds: 'You can fail, but if it's because you weren't paying attention that's not a failure that we like. If it is a business you thought was going to be amazing that didn't turn out so great or the margins aren't there,

they will sell the business.’ She recalls Farrell doing so with a car leasing business: profitable, but not the expected margins and too much drag on capital. So it was sold.

- 61 Telstra 3 Prospectus, page 61.
- 62 ‘Medibank IPO fee pool not as lucrative for key bankers’, <https://www.afr.com/companies/financial-services/medibank-ipo-fee-pool-not-as-lucrative-for-key-bankers-20141125-11t447>
- 63 Lazard Australia had earlier secured a Medibank role by working on a scoping study to determine how the government should best divest of the health insurer, with that role morphing into an independent adviser gig.
- 64 Macquarie Group distributes Sydney Airport Securities to shareholders | Macquarie Group
Macquarie booked a gain on distribution of approximately A\$228 million.

Chapter 14: Going green

- 1 Macquarie’s GIG bought the stake in Iberdrola’s ScottishPower Renewables East Anglia ONE offshore wind farm on 12 August 2019. ScottishPower runs it. <https://www.macquarie.com/au/en/about/news/2019/green-investment-group-to-partner-with-iberdrolas-scottishpower-renewables-on-east-anglia-one-offshore-wind-farm.html>
- 2 <https://www.suffolknews.co.uk/bury-st-edmunds/news/suffolks-housing-statistics-property-prices-ownership-ho-9255804/>
- 3 As of the 2021 annual update, 5 October 2021. <https://www.greeninvestmentgroup.com/en/p-r-2021/progress-report-2021/year-in-review/impact-and-activity.html>
- 4 Kruisvallei Hydro, Free State Province. <https://www.greeninvestmentgroup.com/en/news/2021/uk-climate-investments-marks-delivery-of-254-mw-of-renewable-energy-projects-in-south-africa.html>
- 5 Partnerships with Fortum in New Delhi, CleanMax Solar in Mumbai and Vibrant Energy in Hyderabad. <https://www.greeninvestmentgroup.com/en/p-r-2021/progress-report-2021/year-in-review/impact-and-activity.html>
- 6 Jozwin Wind Farm and Scieki Wind Farm. <https://www.greeninvestmentgroup.com/en/p-r-2021/progress-report-2021/year-in-review/impact-and-activity.html>
- 7 Curiously, both the 2020 and 2021 annual reports feature an image of the same green field, which turns out to be on the Tantanoola property in Western Australia, operated by the Macquarie-managed enterprise Viridis Ag. Incidentally, the East Anglia ONE offshore wind farm is on the introductory pages of the 2020 report.

- 8 This was Novera Macquarie Renewable Energy Limited (NRME), which came with an initial portfolio with an installed capacity of 107 MW, 95 MW of it operational, with a further 21 MW expected to be added from the completion of the Mynydd Clogau wind farm in Wales and an expansion of other sites. It also held some hydro power and landfill gas-fired power station assets. Macquarie put in an equity investment of A\$40.8 million. <https://www.power-eng.com/renewables/novera-and-macquarie-bank-establish-renewable-energy-jv/#gref>
- 9 MEIF bought EPR from Electra Investment Trust in a deal announced on 15 March 2005. The dominant biomass operation in the UK, it had five renewable energy generating plants and a 50 per cent interest in two wind farms. According to Electra, it sold its interests for £55 million. <https://www.epiris.co.uk/media/epiris-news/electra-announces-sale-of-interest-in-energy-power-resources-and-fibrothetford/>
MEIF then bought the six wind power projects, three apiece in France and Sweden, from Eurowind International, a group of private investors. Some were already operational, some under development. <https://www.windpowermonthly.com/article/962786/wind-portfolio-france-sweden-macquarie-bank-europe>
- 10 Financially, Macquarie might put a chunk of equity in at the start to get a deal to the finish line and then the long-term owner would take the equity out, with Macquarie making a return on the risk compression between the development stage and completion. Later, through the asset management arm, Macquarie would instead become long-term owners, but from the investment banking perspective this is how it started.
- 11 Its founder, Thomas Houle, would go on to build and lead Macquarie Capital's Americas renewable development and investment team after Macquarie bought out the rest of Fremantle; it would develop two solar development platform investments, one with a 1.8 GW portfolio of solar projects across nine states and another with 2.5 GW of solar and storage greenfield projects: <https://www.linkedin.com/in/houle01/>

In the United States, progress was stymied by the global financial crisis. 'I think, sadly, we at Macquarie missed the boat a little bit,' says Charles Wheeler, who left Macquarie after 24 years to build his own renewables practice, Greenbacker Capital, in New York. 'I had the vision of the renewables thing in 2007 and 2008. If we'd been able to build the momentum that I was trying to in 2007, we would have been an absolutely dominant player by now.'

But when the crisis came, 'a lot of what we were doing in renewables required access to capital, and there wasn't any capital to access. So you just had to sort of drop the ball.' He remembers one small company that was looking to raise capital to do residential solar across the US and has

since turned into one of the major players in that market; he could have got a 50 per cent stake in that company for \$5 million back then, but there was just no appetite to take on new risks. ‘That company’s worth billions today.’

He did subsequently try to launch a renewable energy infrastructure fund in the US, but found two problems with the institutions he would have hoped to back it: one, they were reeling both from the financial crisis and from some of the transactional activity Macquarie had conducted in its funds ‘that wasn’t the flavor of the month, let’s put it that way’; and two, ‘the most horrifying part, which was that a lot of the US institutions thought renewables was just a fad and really didn’t have a future.’

Eventually the institutional mood caught up with Wheeler’s ideals. And not just his: when you look across the many alumni of Macquarie who have started their own shops, many of them—David Russell and his team at Equis, Michael Dorrell and the many others at Stonepeak—have a clear focus on renewables.

- 12 This was the Macquarie Mexico Infrastructure Fund, whose launch was announced on 14 January 2010 with Ps5.2 billion (then US\$408 million) in initial commitments from Mexico’s national infrastructure fund, FONADIN, and seven leading Mexican pension funds. It followed Mexico’s federal government announcing a National Infrastructure Program mandating public and private investment in infrastructure in August 2007. <https://www.macquarie.com/au/en/about/news/2010/macquarie-group-launches-mexican-infrastructure-fund.html>
- 13 Macquarie’s MMIF fund had a 32.5 per cent interest in the consortium, Macquarie Capital 22.5 per cent, and Fomento Económico Mexicano (FEMSA) 45 per cent. Together they bought Energía Alterna Istmeña and Energía Eólica Mareña from subsidiaries of Preneal for a transaction enterprise value of MXN\$1.06 billion (then US\$89 million). These project companies owned the wind energy project in an area where, it turns out, average regional wind speeds exceed 8.5 metres per second. <https://www.macquarie.com/au/en/about/news/2011/macquarie-mexican-infrastructure-fund-acquires-interest-in-late-stage-wind-energy-project-in-oaxaca-mexico.html>
- 14 <https://www.euromoney.com/article/b12km259jtpqtd/sajid-javid-from-risky-business-to-business-secretary>
- 15 <https://questions-statements.parliament.uk/written-statements/detail/2015-10-15/HCWS239>
- 16 The quote continues: ‘... capable of operating with private sector capital rather than relying on public funding for its investments. It will allow the bank to access a much greater volume of capital than would be the case

if GIB were to remain in government ownership meaning it can grow its business, move into a wider range of sectors and have greatest possible impact in mobilising investment so that more green projects get financed than would otherwise be the case.’ He added: ‘A key objective in moving the company into the private sector is that it should be free to borrow and raise capital without this affecting public sector net debt. Giving GIB this freedom is essential if the company is to invest in accordance with its ambitious green business plan.’

- 17 . . . according to the UK government. There is a further 5 GW in pre-construction, plans for a further 11 GW, and there is a stated target for 40 GW of offshore wind energy by 2030, including 1 GW generated by floating technologies—which you may recall is something Macquarie and Total are attempting to pioneer in South Korea. In the British Energy Security Strategy published in April 2022, this target was increased to 50 GW, 5 GW of it floating.
- 18 The other was Sustainable Development Capital, a consortium of the Pension Protection Fund, Mitsui, General Electric and the insurer John Hancock. It would later launch a legal challenge against Macquarie’s victory. <https://www.theguardian.com/environment/2017/mar/01/green-investment-bank-sale-sdcl-macquarie>
- 19 <https://www.theguardian.com/environment/2017/mar/01/green-investment-bank-sale-sdcl-macquarie>
- 20 Specifically, Doug Parr, policy director at Greenpeace UK, said: ‘The world has changed since the 2015 decision to privatise the GIB, and there is an urgent need to protect its green purposes from being diluted.
‘But the government’s plan to protect them is toothless. There’s almost nothing to stop Macquarie from misusing this vital public institution by failing to invest in early-stage renewables, and even funding fossil fuel projects like fracking.’ <https://www.theguardian.com/environment/2017/mar/01/green-investment-bank-sale-sdcl-macquarie>
- 21 <https://www.ft.com/content/d92a915e-8e2c-11e6-8df8-d3778b55a923>
- 22 <https://www.smh.com.au/business/banking-and-finance/worst-kind-of-company-alarm-in-britain-over-macquarie-banks-proposed-takeover-of-britains-green-investment-bank-20161221-gtg55k.html>
- 23 <https://www.thetimes.co.uk/article/enter-the-vampire-kangaroo-rs62j9f2lc3>
- 24 <https://www.rollingstone.com/politics/politics-news/the-great-american-bubble-machine-195229/>
- 25 In these years regions were broken out as a percentage of the whole, including Australia. Specifically, in 2016, EMEA was 25 per cent of total income; in 2017, 24 per cent; in 2018, 29 per cent; in 2019, 28 per cent; in 2020, 29 per cent; in 2021, 23 per cent; in 2022, 20 per cent.

But the total income figure for EMEA, at A\$3.511 billion, is well up on the previous year's A\$2.863 billion despite being a smaller percentage of the whole. This is mainly because of America's outsized performance in 2022 (A\$8.246 billion total income, 48 per cent of group total).

- 26 See 2006 annual report section 1.3, which says that international income was A\$2 billion for the twelve months to 31 March 2006, and that Europe, Africa and the Middle East made up 34 per cent of that. International income represented 48 per cent of total operating income.
- 27 London serves as the regional headquarters for the business in Europe, the Middle East and Africa, with twenty offices across fourteen markets and more than 2600 employees. The vast majority are based in the UK. Macquarie has arranged and invested £50 billion plus in UK infrastructure since 2005 with, at the time of writing, plans to invest another £12 billion.
- 28 Headcount in the European mainland grew 37 per cent between 2019 and 2022, with key hubs in Ireland, France, Germany, Spain and Italy. Senior Macquarie Capital appointments have been made or are under way in Germany, France, Spain, Italy and the Netherlands; there is strong Commodities and Global Markets growth in Spain, Italy, France and Benelux in particular; and the bank is rolling out new transport, social and digital infrastructure investments across Europe, including Central and Eastern Europe.
- 29 It is oddly charming today to think that Macquarie ever made a business out of telephone directories. Through Macquarie Capital Alliance Group, a sort of private equity cashbox, it bought the Scandinavian telephone directories business TDC Forlag for \$1 billion in October 2005, one of a sequence of similar deals. <https://www.afr.com/companies/macquarie-buys-1bn-directory-20051017-jj6o4>
- 30 Real estate is also worthy of note, since the 2018 acquisition of GLL Real Estate Partners, a large German-headquartered real estate fund manager.
- 31 CGM has been growing strongly across European markets with Spain, Italy, France and Benelux standing out. Expansion of the metals, LNG/gas, power and carbon markets businesses in EMEA are considered priorities. 'We have a carbon business. It's been growing and hiring,' says Plewman. Aside from trading, it invests in projects, such as cookstoves in Africa, that generate carbon credits which can then be on-sold to clients.
- 32 Brexit 'has clearly resulted in a higher cost base: we've had to open a bank in Dublin, and a branch and premises,' says Plewman. 'However, we've grown our business a lot more than we had expected. It's allowed us to have more focused penetration on certain countries with local staff.'
- 33 Kemble Water was the consortium name, Kemble being a town near the headwaters of the Thames. Macquarie said Kemble was the largest

consortium it had ever assembled, bringing together investors from Europe, North America and Australasia. At the time of acquisition, Macquarie and entities associated with it held 47.65 per cent of the consortium.

A position paper published by Ofwat, the body responsible for the regulation of privatised water and sewerage systems in England and Wales, in 2007 hints at the bafflement regulators sometimes felt at Macquarie's labyrinthine arrangements. Note 2.4 speaks of 'concerns regarding the extent of information that is publicly available regarding the Macquarie Investors which own a 47.65 per cent stake in Kemble (i.e., the Macquarie-managed or associated entities which consist of Macquarie European Infrastructure Fund LP (MEIF), Macquarie European Infrastructure Fund II (MEIF II), Macquarie Diversified Infrastructure Fund (MDIF), Macquarie Prism Pty Ltd (MPP), Macquarie-FSS Infrastructure Trust (MFIT) and LODH (Macquarie Infrastructure Fund LP (MLODH)).'

The document cites numerous concerns by Martin Blaiklock, a consultant in the private funding of public utilities and a former director at the European Bank for Reconstruction and Development, even before Macquarie took over. He highlighted an instance of a Macquarie-owned fund receiving payment of an extraordinary dividend as a result of refinancing relating to its ownership of the M6 Toll Road, and considered that Macquarie had asset stripped South East Water Limited under its ownership by paying significant special dividends in 2004–05 and 2005–06. https://www.ofwat.gov.uk/wp-content/uploads/2015/11/pap_pos_tms_acqtskemble.pdf

- 34 It's not easy to make a business of thirteen million wastewater customers look photogenic so the bank opts for some settlement pools in a sunset overlaid with a map of South London.
- 35 Among the future stars who cut their teeth in this area was John Pickhaver, now co-head of Macquarie Capital for Australia and New Zealand. When he turned up for his first day in London, Graham Conway, who was running the utilities team at the time, told him that after Southeast Water, MEIF had just been shortlisted on a bid for another water company, Mid-Kent Water. 'Congratulations, this is your seat, welcome, you're running the model,' he remembers Conway saying. 'I'd just turned up. I'd said hi to one person. I'd just walked through the door and I was running the model. There's a deep end, and you're in it.'
- 36 <https://www.bbc.co.uk/sounds/play/b0931hl5>
- 37 <https://www.thisismoney.co.uk/money/article-9877561/Vampire-kangaroo-bank-Macquarie-tak>
- 38 <https://www.ft.com/content/b121a9e6-0a68-11e7-97d1-5e720a26771b>

- 39 Specifically its infrastructure arm, Borealis, founded by Michael Nobrega whom we met in Chapter 6.
- 40 <https://www.ft.com/content/63ae6f88-08a5-11e7-97d1-5e720a26771b>
- 41 <https://www.ft.com/content/2022f9a8-50d7-11e7-bfb8-997009366969>
- 42 <https://www.ft.com/content/61bd8f0a-9181-11e7-bdfa-eda243196c2c>
- 43 <https://www.thetimes.co.uk/article/enter-the-vampire-kangaroo-rs62j9f2lc3>
- 44 <https://www.thisismoney.co.uk/money/article-9877561/Vampire-kangaroo-bank-Macquarie-takes-1bn-stake-Southern-Water.html>
- 45 More precisely, a Macquarie-led consortium comprising Macquarie Group, MEIF 5 and Universities Superannuation Scheme completed the acquisition of the UK Green Investment Bank Limited from HM Government. This followed an earlier announcement on 20 April. <https://www.macquarie.com/au/en/about/news/2017/macquarie-led-consortium-completes-acquisition-of-the-green-investment-bank.html>
- 46 Those commitments in a little more detail: that it would work with the Green Purposes Company Trustees to ensure investments were aligned with its green purpose—the so-called golden share; that it would publish its own annual report; that it would keep GIB's teams and offices in London and Edinburgh, with Edward Northam, GIB's head of investment banking, as its leader; and that it would change the name to Green Investment Group, in order to overcome legal and regulatory hurdles that would arise in some markets from using the term 'bank'.

Macquarie said it would make Green Investment Group its primary vehicle for principal investment in green projects in the UK and Europe, and would consolidate its own businesses into that vehicle.

Mark Dooley, who had joined Macquarie in 2005 from ABN Amro, ended up being the CEO of the business when it developed a more global mandate; Northam is today head of UK and Europe. Shaun Kingsbury, who was CEO of GIB, did not join Macquarie.

- 47 <https://www.greenpurposescompany.com/pdfs/annual-reports/GPC%20annual%20Letter%202020%20FINAL.pdf>
- 48 <https://www.greenpurposescompany.com/pdfs/annual-reports/GPC%20Annual%20Letter%202019%20-%20final%20signed%20250919.pdf>. See Macquarie/GIG's response here: <https://www.greenpurposescompany.com/Response%20to%20GPC%20letter.pdf>
- 49 Hutchings was previously a civil servant at the Department of Energy and Climate Change. The other trustees were James Curran, former CEO of Scottish Environment Protection Agency; Tushita Ranchan, former CEO of a renewable energy company; Robin Teverseon, chair of the House of Lords EU select sub-committee for Energy and Environment; and Peter Young, former chair of the Aldersgate Group. They were all appointed in August 2017 immediately prior to the sale of GIB.

- 50 <https://www.greenpurposescompany.com/pdfs/annual-reports/GPC%20annual%20Letter%202020%20FINAL.pdf>
- 51 The Galloper Wind Farm is off the coast of Suffolk, England, and Race Bank is off the coast of Norfolk, again on the English East Coast. At the time of takeover GIB owned an offshore wind fund which housed numerous other assets, such as Rhyl Flats in Liverpool Bay and Sheringham Shoal in the North Sea, and a stake in Gwynt y Mor next to Rhyl Flats. In January 2017 came its biggest single investment, in the Lincs offshore wind farm off Lincolnshire. Waste and energy assets included Kemsley in Kent, Millerhall near Edinburgh and a new plant in Flintshire, North Wales. In the 2017 annual report 46 per cent of GIB's investment portfolio was offshore wind, 34 per cent waste and bioenergy, 14 per cent energy efficiency and 6 per cent onshore renewables. <https://www.greeninvestmentgroup.com/assets/gig/corporate-governance/Green%20Investment%20Bank%20Annual%20Report%202017.pdf>
- 52 'For us, what GIB/GIG has done is it has given us the capability to create assets in areas where people are still working out how to actually do it,' says Frank Kwok. 'A few years ago it was all about solar and wind. Now it's about hydrogen and batteries. You've got to create these assets, and my colleagues in GIG have the deep expertise to not only understand all that but make it scalable.'
- 53 <https://www.macquarie.com/au/en/perspectives/spotlight-on-quadrant-energy.html> and <https://www.macquarie.com/au/en/about/news/2018/brookfield-business-partners-and-macquarie-announce-agreement-to-sell-quadrant-energy.html>
- 54 Even if some outside Macquarie were not seeing the light about hydrogen, in truth the group had already looked at it in some detail. Oliver Yates, who after leaving Macquarie in 2011 had gone on to become CEO of the Clean Energy Finance Corporation, had returned to Macquarie to run a business called Lead Pathway Investments in 2017. He had been talking to Moore about the idea of acquiring Green Investment Bank, which he had been involved in as a partner organisation, and the two agreed that they should invest in technologies and projects that were on the decarbonisation pathway but were longer-term bets.

Yates set up a proprietary fund, called Pathway Fund, to invest in longer-dated investments including hydrogen and ammonia. The fund invested into Asian Renewable Energy Hub in Western Australia, an early hydrogen project, among other things.
- 55 A brief hydrogen primer. Grey hydrogen is derived from natural gas and produced from fossil fuels, and is not commonly considered renewable, except as a bridging energy between higher and lower polluting fuels.

Blue hydrogen comes from the same sources, with the difference that the CO₂ that comes from the process is captured at production and stored using carbon capture and storage techniques. Green hydrogen is formed in a completely different way, through electrolysis, commonly driven by renewable sources such as wind and power. <https://www.jdpower.com/cars/shopping-guides/whats-the-difference-between-gray-blue-and-green-hydrogen>

- 56 <https://www.afr.com/policy/energy-and-climate/macquarie-urges-australia-to-seize-hydrogen-opportunity-20210922-p58ts4>
- 57 Other investments in new low carbon technologies include hydrogen through Cadent in the UK and Open Grid Europe and Thyssengas in Germany; carbon capture through Storegga; and e-mobility.
- 58 <https://www.afr.com/companies/energy/macquarie-trains-sights-on-green-hydrogen-20211214-p59hd7>
- 59 <https://www.afr.com/chanticleer/macquarie-to-fill-the-void-at-cop26-20211007-p58y6z>
- 60 She is a Commissioner of the Global Commission on Adaptation, and was appointed to the Climate Finance Leadership Initiative by Michael Bloomberg as the UN Special Envoy for Climate Change. She has made Macquarie a foundation member of the Glasgow Financial Alliance for Net Zero, and leads the work stream to mobilise private capital for critical climate solutions in emerging markets. At COP26 she appeared on an emerging markets climate panel with UN Climate Envoy Mark Carney and World Bank President David Malpass. Just before COP26 she attended the UK Government's Investment Summit where she interviewed COP President and former UK Business Minister Alok Sharma.
- 61 <https://www.greeninvestmentgroup.com/en/news/2022/macquarie-asset-managements-green-investment-group-and-hydro-rein-to-develop-hybrid-wind-and-solar-project-in-brazil.html>
- 62 <https://www.greeninvestmentgroup.com/en/news/2022/gig-portfolio-company-corio-generation-announces-second-major-offshore-windfarm.html>
- 63 <https://www.greeninvestmentgroup.com/en/news/2022/gig-portfolio-company-corio-announces-plans-to-develop-brazilian-offshore-wind.html>
- 64 <https://www.greeninvestmentgroup.com/en/news/2022/gig-and-bluestone-partner-to-develop-uk-battery-storage-projects.html>

Chapter 15: Smashing the glass ceiling

- 1 <https://www.theAustralian.com.au/business/the-deal-magazine/shemara-wikramanayake-another-of-macquaries-quiet-achivers/news-story/6b316071a13a47c1878b7b79dd5a2751>

- 2 https://www.youtube.com/watch?v=wAoI_L-3C0M
 - 3 'The rise, fall and rise of Macquarie bank's first family', <https://www.afr.com/world/asia/the-rise-fall-and-rise-of-macquarie-banks-first-family-20180904-h14wqu>
 - 4 Wikramanayake told the same event: 'Being curious and social I resolved to embrace the frequent change as an opportunity to learn from different cultures and perspectives.'
 - 5 2022 Macquarie annual report, bio on page 88.
 - 6 Bruck adds: 'Her responses to managerial issues, irrespective of complexity or novelty, are the shortest I've ever seen.'
 - 7 They are just one of several examples of in-house Macquarie marriages the authors encountered during their research of the firm.
 - 8 The annual report outlines on page 114 the 27-year tenure for Nick O'Kane, while Greg Ward and Nicole Sorbara are just behind him at 26 years. Michael Silverton's tenure spans 25 years, Alex Harvey 23 years, Stuart Green 21 years, Andrew Cassidy 18 years, Ben Way 16 years and Evie Bruce less than a year.
 - 9 <https://www.macquarie.com/au/en/about/news/2018/nicholas-moore-to-retire-in-november-2018-shemara-wikramanayake-to-become-ceo-of-macquarie-group.html>
 - 10 <https://www.theaustralian.com.au/business/financial-services/macquarie-group-hires-former-rba-chair-glenn-stevens-to-succeed-peter-warne/news-story/536d17ff4dd9672ab0ed1a5b26a98faf#:~:text=Former%20Reserve%20Bank%20governor%20Glenn,down%20due%20to%20the%20pandemic>
 - 11 <https://www.macquarie.com/au/en/about/news/2019/investor-presentation-and-management-update.html>
 - 12 <https://www.macquarie.com/au/en/about/news/2019/macquarie-group-announces-aud-2982-million-full-year-profit.html>
 - 13 <https://www.macquarie.com/au/en/about/company/board-of-directors.html>
 - 14 <https://www.macquarie.com/au/en/about/company/executive-committee.html>
 - 15 <https://www.macquarie.com/assets/macq/impact/esg/policies/Code%20of%20conduct.pdf>
 - 16 <https://www.asx.com.au/asxpdf/20190725/pdf/446vxd1tvxtw59.pdf>
 - 17 <https://www.macquarie.com/au/en/about/news/2019/sunsuper-to-invest-in-macquarie-airfinance.html>
- Sunsuper has since merged with Qsuper, creating Australian Retirement Trust.
- 18 Sorbara adds: 'So that will then get delegated down to my regional teams and the respective regional leadership teams.'

- 19 'I felt like the connection wasn't there because I wasn't wandering around the offices as I used to,' Wikramanayake says.
- 20 In 20201, NAB announced a A\$2.5 billion share buyback to return capital to shareholders, given that an expected spike in COVID-19 loan losses had not eventuated.
- 21 <https://www.macquarie.com/assets/macq/about/disclosures/us-investors/mgl/mgl-asx-announcement-waddell-and-reed-acquisition-us-version.pdf>
- 22 'Our public investments business, we were able to increase revenues almost 50 per cent through this acquisition and our margins by 10 (basis) points, because we are putting more revenue and assets onto the same expense base of technology and trading and marketing,' Shawn Lytle says. 'You don't have to expand that base as much as you bring on revenues. That's the beautiful thing of this business: the ability to scale.'
- 23 'I want to build a first-class brand in the US where everybody knows how to pronounce our name,' says Lytle.
- 24 <https://www.macquarie.com/au/en/about/news/2022/macquarie-asset-management-completes-acquisition-of-central-park-group.html>
- 25 <https://www.theAustralian.com.au/business/companies/life-sale-makes-us-more-attractive-says-amp-chair-david-murray-amid-speculation-of-macquarie-play/news-story/8ac96d7798c0752e0bf333c6c3bfd4e8>
- 26 Macquarie's full-year 2022 accounts, released 6 May 2002.
- 27 Europe is a particular focus for digital connectivity. Macquarie has rolled out fibre connectivity to communities in the UK (KCOM, Voneous), Spain (Onivia), Poland (Fiberhost), Denmark (TDC) and Italy (Open Fiber).
- 28 The Nuix directors who ASIC alleges breached their duties are Jeffrey Bleich, Rodney Vawdrey, Susan Thomas, Daniel Phillips and Sir Iain Lobban. In ASIC's statement on 29 September 2022, the regulator said it had concluded its investigation into Macquarie for 'suspected contravention' of section 912A of the Corporations Act in relation to Nuix's IPO. ASIC determined no further action against the company would be taken. <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2022-releases/22-262mr-asic-sues-nuix-and-its-board-for-continuous-disclosure-and-directors-duties-breaches>
- 29 'We still believe it's a high-quality business, and we're committed to it,' Wikramanayake adds on Nuix.
- 30 <https://www.theaustralian.com.au/business/financial-services/macquarie-group-forced-to-defend-nuix-role-to-investors-at-agm/news-story/1d2822d0f4342490474a6ddf20826926>
- 31 <https://www.apra.gov.au/news-and-publications/apra-takes-action-against-macquarie-bank-over-multiple-breaches-of-prudential>

- 32 <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2022-releases/22-078mr-asic-takes-action-against-macquarie-bank-for-alleged-failures-to-properly-monitor-third-party-withdrawals-from-customer-accounts/>
- 33 2022 annual report, page 199.

Epilogue

- 1 1974, 1992 (which was a record in pre-tax profit but a slight reduction in after-tax), 2009, 2011, 2012, 2020.
- 2 This business was pioneered by Jerry Korczak, head of sports and entertainment structured finance, who, it turns out, doesn't like football. It works like this: a club sells a player, with the payments typically made in instalments over a period of years. In order to allow the selling club to spend the proceeds immediately, Macquarie advances the club the full amount set against the collateral of future payments. The model has already been extended from player sales to TV rights. Read more here: <https://www.afr.com/companies/financial-services/star-macquarie-banker-kicks-goals-in-europe-20200919-p55x62>
- 3 Stonepeak was founded by Michael Dorrell and Trent Vichie, both ex-Macquarie. It has since hired Hajir Naghdy, who spent nineteen years at Macquarie and was instrumental in the Korea business as well as running the business in the Middle East; and Daniel Wong, who was global co-head of Macquarie Capital with Michael Silverton.
- 4 <https://www.euromoney.com/article/b1hh2f9z111yy0/private-equity-the-inside-story-of-equis-and-its-partners-800-million-bounty>
- 5 <https://www.rocp.com/about-us/history/>
- 6 Michael Traill, an executive director at Macquarie until 2001, was Social Venture Australia's founding CEO.
- 7 <https://www.theaustralian.com.au/business/stock-expected-to-take-reins-at-jefferies-after-clsa-staff-raid/news-story/95bddf9e0fb16c6cf0a724497e27f95c>
- 8 'It does complicate your go-to-market approach, particularly if you're expanding into new markets and new regions,' Silverton adds. 'It tends to distract you from the main game. If you're working, you've got to focus on Macquarie.'
- 9 In Australia, companies report twice a year, not quarterly as in the USA.
- 10 Americas: A\$8.246 billion income. Australia: A\$4.39 billion. See financial discussion and analysis, page 41: <https://www.macquarie.com/assets/macq/investor/results-and-presentations/2022/macquarie-group-fy22-md.pdf>
- 11 Michael Silverton and Shawn Lytle respectively.

- 12 Americas A\$2.368 billion, EMEA A\$2.149 billion, Australia A\$886 million, just ahead of Asia A\$771 million. International income was 86 per cent of CGM income overall, 91 per cent of Macquarie Asset Management income and 85 per cent of Macquarie Capital. Naturally Banking and Financial Services was 100 per cent Australian. In the 2023 half-year results to 30 September 2022, released in October, by which time this book was already at layout stage, the figures had changed. The Americas now constituted 38 per cent of international income, EMEA 24 per cent, Asia 10 per cent and Australia 28 per cent.
- 13 <https://www.euromoney.com/article/2a25wufeka57z0sxxqsjk/macquaries-american-adventure-continues>
- 14 It then fell with the rest of the market and is closer to A\$70 billion at the time of writing.