CEOCFO Interviews & News!

A Move From Being Privately Held To A Publicly Listed Company And Efforts To Deploy A Substantial Amount Of New Capital Has Fundamentally Transformed Rodman & Renshaw Capital Group Into A Different Business Than It Was Eight Months Ago When Their New CEO Came Onboard

Rodman & Renshaw®

Financial
Investment Brokerage - National
(RODM-NASDAQ)

Rodman & Renshaw
Capital Group, Inc.

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Michael Lacovara
Chief Executive Officer

BIO:

Mr. Lacovara became our Chief Executive Officer and a member of our Board of Directors in September 2007. Mr. Lacovara was a principal of Sandler O'Neill + Partners, L.P. from February 2004 through August 2007 and the co-chief operating officer of the firm from January 2005 through August 2007. From October 1989 through December 1996, Mr. Lacovara was an associate at, and from January 1997 through January 2004 a member of, the law firm of Sullivan & Cromwell, LLP, where he represented a variety of financial services and technology firms and served as trial counsel to Microsoft Corporation in United States v. Microsoft. Mr. Lacovara received his bachelor's degree in 1984, summa cum laude, from the University of Pennsylvania, where he was elected to the Phi Beta Kappa Society. He was selected to study at Cambridge University on a Thouron Fellowship, receiving a master's degree in international relations in 1985. He also earned a law degree, cum laude, from Harvard Law School in 1988. Mr. Lacovara serves on the Board of Directors of Analysis Group Economics, Inc., is a Trustee of Cambridge in America, and has served on various other charitable, cultural and educational boards.

Company Profile:

Rodman & Renshaw Capital Group, Inc. is a holding company with a number of direct and indirect subsidiaries, including Rodman & Renshaw, LLC, Rodman Principal Investments, LLC and Miller Mathis & Co., LLC.

Rodman & Renshaw, LLC is a full service investment bank dedicated to providing investment banking services to companies that have significant recurring capital needs due to their growth and development strategies, along with research and sales and trading services to institutional investor clients that focus on such companies. Rodman is a leading investment banking firm to the biotechnology sector, and other capital intensive market segment, including energy, steel, and metals and mining, as well as a leader in the PIPE (private investment in public equity) and RD (registered direct placements) transaction markets.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Lacovara, you are still fairly new as CEO; what has changed under your leadership?

Mr. Lacovara: "Two big things have changed under my leadership. One, my brief when I joined was to help the company, which had been a private company, make the transition to a listed public company. Therefore, we needed to install all of the internal rigor that you have to have as a public company, especially in the areas of internal reporting and controls, as well as those public, out-facing activities such as investor relations and PR. The second was we raised a substantial amount of capital, which we have deployed to deepen and diversify our franchise. In both respects, it is fundamentally a different business than it was when I joined as CEO eight months ago."

CEOCFO: Why was this the time to become a public company?

Mr. Lacovara: "Before I was a CEO I was an outside advisor, an investment banker. In that role, I thought, and still think, that he reason, to become a public company was to have a liquid currency to do acquisitions and to grow the company. I also feel that, in terms of my own marketing and client interactions, if you are dealing with the same sorts of public company issues as clients, you can have a different kind of conversation. If I am dealing with a challenging share price and shareholders are expecting me to drive my shareholder value everyday; it is a little easier to have a conversation with a client who is facing exactly the same concerns."

CEOCFO: Is there such thing as a typical client for you?

Mr. Lacovara: "There is a typical client, but then there are a lot of clients we have that do not fit into the definition of 'typical'. Our modal client is a growth-oriented company with a market cap between $50 and $500 million. We historically have focused on a small number of growth sectors; life science, energy, metals and mining. Within those growth sectors, there are substantial numbers of vibrant smaller and mid-cap companies that we are trying to grow."

CEOCFO: How is the current economic environment affecting Rodman & Renshaw?

Mr. Lacovara: "I have said to some of my shareholders that, for my firm, it is the perfect time to be conservative and the perfect time to be aggressive. It is the right time to be conservative because we are in what feels like a fairly extended down cycle for financing, which has been our core business. However, it is also the perfect time to be aggressive. We have the capital to grow the business to do strategic acquisitions and partnerships; at a time when many of our competitors have far more fundamental issues in terms of their business viability to deal with. Therefore, it is the right time to grow. What I tell the young investment bankers and the more senior people is you have to look at these times as an opportunity; if you don't you just get into a bunker mentality."

CEOCFO: What is you acquisition philosophy and are you looking to add in the future?

Mr. Lacovara: "What we said when we raised the growth capital last October was that I wanted to diversify the business across three lines. I wanted us to be broader geographically to take advantage of growth markets and growth sectors both outside of the US and in those parts of the US that we can touch more effectively. Secondly, I wanted us to grow in terms of the range of products that we offer and the range of services we can offer our clients. Finally, we need to expand the number of sectors we cover with real expertise and depth. Rodman had been very focused on life science and very focused on PIPE (private investment in public equity) and registered direct offerings. Over the last six months, we have done a series of acquisitions to accomplish our three goals. We have a joint venture in London, which gives us more of a European reach, and we recently closed an acquisition that will permit us to operate across Canada. That has helped us on the geographic front. In terms of the sectors, we acquired the leading independent M&A advisor to the steel and metals industry; a firm called Miller Mathis. In addition, we acquired a leading advisor for private finance to small and mid-size exploration and development oil and gas companies, called COSCO Capital Management. Both of those took us into new sectors, but they also expanded our product set, and made us deeper in terms of offering strategic and M&A advice. We now have people across the spectrum of capital markets products and just recently announced the formation of a Global Capital Markets Group to give us a better IPO, secondary and syndicate capability. In the future we look to do more of the same, identify capital intensive sectors and prominent firms or teams within those sectors that can join our platform."

CEOCFO: Is there a trend toward consolidation in your industry?

Mr. Lacovara: "In investment banking there is always a trend toward consolidation and always a trend toward deconsolidation. There are always new boutiques sprouting up from people who come out of larger firms or have reached a stage in their career where they would rather do their own thing with a small group of people. There are firms like ours that are growing and consolidating and trying to aggregate talent."

CEOCFO: What are the intangibles you look for, both in your people and the companies that you may look to acquire?

Mr. Lacovara: "It all comes down to the intangibles. Anyone can run the models and figure out if the business is going to be accretive to earnings. What is much harder to figure out is the subtle questions. Is my business fundamentally better if I add this team or this other firm? Is that firm or that team fundamentally better with us? And that is more of a conversation than an analysis. Therefore, you have to feel people out. I have always applied something I call the De Moines Airport test. I take the head of the other firm and a senior person on the team and I ask a simple question. If he and I or she and I were stranded in the De Moines Airport having missed the last flight, could I spend twelve hours sitting in the airport alone with this person and not want to pull my hair out? If the answer to that is yes, it is kind of a litmus test for saying this is somebody who shares a vision and someone you think you can work with."

CEOCFO: What is the financial picture like today?

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Mr. Lacovara: "Quite healthy. We have more than adequate cash. We have a very liquid balance sheet with no exposure to things that had been hard to price such as auction rate securities of credit default swaps. We are long cash and short liabilities. We have still seen more of the financings in our target markets than any of our competitors. Therefore, although the overall volume is certainly down, we are certainly getting our market leading share of what is coming around."

CEOCFO: Why are companies choosing to work with Rodman?
Mr. Lacovara: "What has always set us apart is not really rocket science. Sometimes people in this business try to dress it up and make it mysterious but it really isn't. We think our clients come to us because we try to do three things better than others. The first is just to execute; we have a reputation, hard earned and well deserved, that when we say we can get a deal done we will get a deal done. That is often paramount. The second is because of our size, even as we grow, you won't see a large team at Rodman and you won't be dealing with somebody who is relatively unschooled. You will get senior level attention and a team that doesn't have rotation from meeting to meeting. It is the same people calling you and helping you over a long period of time. Clients value that stability and that predictability. Finally, this is the hardest course to quantify. It is that we work very hard to listen. There is a tendency in our business to tell clients what they need, as opposed to listening to them tell you what they need and then advising them. I know I personally work very hard to make sure that our men and women listen first and advise second."

CEOCFO: Is the investment community paying attention?
Mr. Lacovara: "Never as much as I would like. We are quite small relative to a lot of our peers and we are a very new story in a sector that has been highly disfavored for the last three or four quarters. What we can do is what I tell both my existing shareholders and my team. We have to focus on the strategic plan at a high level and on daily blocking and tackling at a ground level and then the story will tell itself. The level of attention to us will be significantly different a year from now."

CEOCFO: Why should potential investors be interested and what might people miss about Rodman that they really need to understand?
Mr. Lacovara: "It is really a question of what makes us different. What makes us different and what I like to tell folks is that we are building the investment bank that you would build if you started from scratch today. We are building a business that is built around high margin businesses; the advisory business and the pieces of the capital markets business that still have very good margins. We are doing this without a lot of legacy infrastructure that raises the cost profile for many of the more established firms or firms that got built when other parts of the business, particularly the brokerage business, were more profitable. It is a growth story, but also a growth story in kind of a new model. That is the heart of what we are trying to do."

CEOCFO: Final thoughts, what should readers take away from this interview?
Mr. Lacovara: "People should look at what we are doing and say those folks raised money in October of 2007 and said they were going to implement a sensible plan, and they executed on that plan and will continue to do so. We did this at a time in the market when many of our peers have been distracted from growth by either macro market forces or problems within their own firms. We have been able to keep the sales trimmed and actually execute on our plan and have the ability and quite frankly the cash to continue to do so."

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