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Seal that deal with … a toy

By Leah McGrath Goodman
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Dan Cummings, managing director and co-head of equity capital markets for the Americas at Merrill Lynch in New York, recalls how a small memento received eight years ago to commemorate a deal he had just completed left a lasting impression.

“Our bank had pushed hard to price a client’s stock at around $20 in an initial public offering, but on the day of the float, it shot to $50,” he says. “At the closing dinner, the company presented us with a special gift: a miniature plastic model of a garbage bag filled with real, shredded money, representing all the cash we’d left on the table at the IPO. After that, the party was pretty much over.”

Known to those within the financial community as the deal toy, these customised trinkets have been exchanged for decades by bankers, rainmakers and corporate lawyers to celebrate their top-grossing transactions. And, in the case of Mr Cummings, to make the odd jibe.

In spite of his client’s ingratitude, Mr Cummings, 42, says he still treasures the plastic rubbish bag given to him in 1999, near the height of the dot-com boom. “The company doesn’t even exist any more,” he says. “But they called a spade a spade and that deal toy reminds me of the importance of humility in life.”

The deal toy is the Wall Street embodiment of the old adage “whoever has the most toys wins”. As a rule of thumb, the more deal toys you own, the more impressive your résumé and, presumably, the more business you’re raking in. Which explains why bankers at nearly every major institution proudly display their deal toys on their desks, where clients and competitors are most likely to see them.

“It’s a bit of a trophy, a bit of a bragging right,” says Michael Dakin, 34, a corporate lawyer and partner at Clifford Chance in London. “People come into your office, see your deal toys and you tell them your war stories.”

Typically hand-crafted from Lucite, an acrylic plastic, by a handful of highly competitive privately owned companies based primarily in New York, deal toys have become big business in recent years. This reflects a leap in demand from such far-flung cities as Dubai, Moscow, Hong Kong and São Paulo and other centres of increased activity in mergers, acquisitions, IPOs, refinancings and leveraged buy-outs.

As the banking industry prospers or suffers, so goes the business of making deal toys. Just as rising buy-outs in the first half of 2007 triggered an avalanche of deal toy orders, this past summer’s credit squeeze also prompted a retreat that ended up hitting deal toy companies hard.

“Because every major deal usually has a deal toy to go with it, we’re right on the pulse of whatever’s happening in the markets,” says Kim Russo, founder and chief executive of New York deal toy company Global Design Network, which has seen year-on-year revenue growth of at least 50 per cent since 2004.

“In my office, we keep CNBC on all day...When the subprime crisis hit, we felt it. And when Goldman Sachs reported positive earnings this fall and some of the deals started back up again, we felt that too.”

Ms Russo, 36, a former stock broker who left college after receiving an associates degree, worked at a deal toy business in New York before striking out in 2002. Success came quickly with the groundswell of buy-outs that followed.

Though deal toys date back to the 1970s, never have so many been cranked out at such a furious pace on a global scale. Now, it is almost inconceivable to close a top-grossing deal without a toy.

These days, with the proliferation of cross-border buy-outs, the deal toy phenomenon has moved far beyond its traditional US stomping grounds, says Andrew Sriubas, 39, an investment banker and managing director at JPMorgan in New York.

“For decades, Wall Street banks have given deal toys to valued clients, but now we’ve started to export those good habits,” he says. “As more US bankers travel overseas, the practice has travelled with them.”

On average, deal toys weigh a few kilogrammes, retail for $100 to $300 each and are made in batches from about a dozen up to 500 per deal, reaping several million dollars a year for the half-dozen largest companies providing them.

While these keepsakes have always reflected the tastes of the bankers buying them, the range of styles and materials used to make them has broadened with the globalisation of demand. For example, heavy glass and crystal deal toys are especially popular among clients from the Middle East, as they tend to view Lucite as a rather informal material. Americans frequently opt for the 25 lb deal toy that hints at excess or tells an inside joke.

“Size and quantity are what it’s all about, so it does sometimes become a testosterone-laden thing,” says Mr Cummings, who owns hundreds of deal toys.

On one occasion, deal toys ordered by Merrill had to be disposed of because they did not convey the message intended. “The design was a Lucite piggy bank with dimes and quarters running through it. But to look at it, all you saw was this enormous pig,” Mr Cummings recalls. “It looked like we were saying the deal was pig, or something about capitalist pigs. It was very inappropriate.”