

Wall Street 'Deal Toy' Indicator Flashes a Bullish Sign

WARREN BUFFETT WATCH, DOW'S RECORD HIGH, COMPANIES, FACEBOOK, MORGAN STANLEY, H.J. HEINZ CO, BUSINESS NEWS

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The "deal toy" indicator has turned bullish on Wall Street.

Deal toys are small, relatively inexpensive and typically Lucite, trophies that serve as a way to commemorate a firm's noteworthy deals. A company may order 20 or more of them for the employees involved in the deal. As a result, they're a pretty good gauge of deal activity.

In Wall Street's heyday, before the financial crisis, companies ordered "toys" with abandon — not even worrying about how much they cost. During the financial crisis, the business dried up dramatically. And Wall Street remained rattled last year with the "fiscal cliff" at the end of 2012, when tax increases and spending cuts were set to kick in. Now, with that crisis averted, business is starting to roar back.

At **GDN**, a Manhattan-based deal-toy maker, orders doubled in the first two months of 2013 from the same period a year earlier, President and CEO Kim Russo said.

Once the fiscal cliff passed, "it was like somebody just turned the water on and the deals were pouring in," Russo said.

(Read more: [As Confidence Returns, So Does Deal-Making](#))

GDN currently has orders for toys to commemorate six deals worth over a billion dollars each, ranging from \$1.3 billion to more than \$20 billion — large even by Wall Street standards.

"Those don't come around very often," Russo said. "But when they do, you want to work on them. Normally you don't have billion-dollar deals every day."

The price of a deal toy varies widely from \$80 to \$300 at GDN, but companies look to spend about \$100 on average, Russo said. The average order size is around 20 pieces. This can grow to 50 to 60 for bigger deals.

The upswing in the deal-toy market echoes the surge in mergers and acquisitions so far in 2013.

The total value of U.S. mergers and acquisitions transactions through the first two months of this year rose 93 percent compared to last year, according to data from investment-banking technology and consulting firm Dealogic.

In February, five \$10 billion-plus deals were announced, including [Warren Buffett's \\$23 billion deal](#) with 3G to acquire ketchup maker [H.J. Heinz](#). And in another positive sign, leveraged buyouts with a final stake greater than 50 percent posted the biggest month in February since mid-2007.

(Read more: [Berkshire Hathaway's 15 Biggest Stock Holdings](#))

Another deal-toy maker, **The Corporate Presence**, said it's also seeing an uptick in orders this year — both in the U.S. and overseas.

"This year — it's still early in the year — but we're definitely seeing an uptick in activity, and that's on a global basis," said Corporate Presence President and CEO Joseph Reynolds. "Our London office is as busy as it's been in a couple years."

This came after a slower 2012, with fewer deals, fewer toys per deal and a reluctance to spend among some of the bigger banks.

Investment banks "were worried and they were trying to cut costs all over the place," Reynolds said.

Volume has also been high at **Refresh Creations** in January and February — and the type of deals is changing.

([Read more: 'Another Wave' of M&A Activity on the Horizon: Cantor Fitzgerald CEO](#))

Taryn Bass, vice president of sales at Refresh, said they're seeing fewer toy orders for bankruptcy and restructuring deal toys and more to commemorate mergers and acquisitions.

From the Go-Go Days to a Toy Desert

Still, the deal-toy market is far from its pre-financial crisis mentality (or budgets), insiders said.

Prior to this period, Reynolds recalled a time when the Street didn't have budgets.

"Deal toys for everyone in the world — they would spend tons of money, and we'll never see those days again because it was crazy," he said.

During the [recession](#), firms slashed their budgets. For four to eight months, toy orders fell off, Reynolds said. To survive the downturn, Russo laid off employees and moved to less expensive office space.

"It was like falling off a cliff," she said. "Everything just disappeared. It was an absolute deal toy desert."

The budget cuts were not as severe at smaller boutique firms, which use the toys as a branding tool and a way to compete with the bigger firms, said Jeremy Wiland, president and chief executive of Refresh Creations.

Lower Margins, Increased Competition

Reynolds said his firm's overall revenue has climbed back from pre-downturn levels but margins remain lower. Average order size has fallen to roughly 20 to 30 toys from about 50 to 60 and the average order cost is about \$2,500 to \$3,000 plus shipping and tax. And the competition is fierce.

"Some of my competitors, in order to try to get more market share, have resorted to making offers where they don't make any money — just to get in the deal," he said.

If one bank orders a toy, the other banks involved in the deal also expect toy designers to contact them and ask if they would like to join the order so they can save on set-up costs, Reynolds said.

"They're having us being the deal-toy police," he said.

Although the big banks still have stringent budget policies, they have a little more toy flexibility for some of the larger deals.

"I've had a couple say, 'Make it unique and special. Just don't tell us how much it costs. Then tell us after we like the design how much it costs,'" Reynolds said.

[Facebook's](#) IPO was one such mega deal that warranted extra toy attention.

"We did the Facebook IPO deal toy for [Morgan Stanley](#) on their behalf," he said. "As the managing director of their San Francisco office said, 'This is definitely the biggest deal that we're going to do in this office this year and maybe the whole bank. So we don't have a budget for you. Just give us a really great deal toy.'"

The Facebook deal toy features a big screen with Facebook icons and the names of many Wall Street heavyweights — a permanent reminder of the initial excitement surrounding the social media giant's debut.

Other toys on the toy makers' websites make up a virtual financial graveyard for deals gone by, including transactions with **Lehman Brothers**, **Bear Stearns** and **Circuit City**.

Russo likened the desire for toys to athletes, who upon winning the Olympics want more than just a "congrats."

And long after these "financial athletes" age or go the way of Lehman Brothers, the Lucite remains.

—Written by CNBC's [Katie Little](#). Follow her on Twitter [@Katie_Little](#)

Correction: An earlier version of this article reported that the average deal toy price at GDN is \$100. In fact, the company said clients look to spend about \$100 on average.

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