



# ShortTakes

## Trends, Views and Analysis

### Industry Focus

## On The Money

*Nascent firm, Milestone, is successfully navigating a tricky financial landscape*

JESS VARUGHESE SURE PICKED A TOUGH TIME LAUNCH a firm focused on global financial markets industry. But Varughese, managing partner of New York-based Milestone, doesn't see it that way. "There's nothing like tough market conditions to validate whether or not you're in the right business, and whether that business has staying

power," Varughese says. "Actually, we feel pretty good that our business model has been validated."

So far, Milestone has been able to weather the storm by sticking to its original target markets—the capital market and investment banking space, areas where Varughese has plenty of expertise from his days at KPMG, Navigant Consulting and BearingPoint.

Varughese and two other former KPMG financial services veterans now make up the leadership at Milestone.

Even with the recent downturn in the economy, Varughese says Milestone has been able to keep to its original business plan. "There's still a lot of consulting work to be done. The type of work we'll do will change. We'll be more focused on cost, cost efficiencies and cost take-out," he says. "We've always knew we wanted to be on the mission critical side, but we have to be very capable of turning on a dime if the markets don't respond. There's nothing right now that gives me any concern relative to the client base we have relative to the kind of clients we have and the projects we've taken on."

Varughese says Milestone's clients have so far been able to weather the storm and have been able to come out of this looking relatively good. "We

haven't been tied to the Countrywides of this world or any of the other big names that have been involved with these issues we've heard so much about." Varughese says the mortgage area right now is "a restructuring and recovery effort" that calls for skills that Milestone doesn't necessarily have. "There is no building or transformation work going on in that space right now, and that's really where we excel."

The other area that has stalled is the leverage finance business, he says. "Banks are no longer providing significant lending and leverage to private equity houses as they go and acquire companies," Varughese says. "I think the pundits all agree that's an area where we'll see a significant retrenching and changing of the way deals get done in that space. There's a revenue stream that's drying up for investment banks."

But there are opportunities, he says. One of the biggest ones may be the rise of sovereign funds entering the U.S. "The last count I saw is \$1.7 trillion—that's staggering. That's double the entire holdings of every private equity firm in the world," Varughese says. "Suddenly, there are vast amounts of money being put to work in the U.S. Once this kind of external capital gets put to work, there's a lot of revenue-producing opportunities that go with it—advisory fees, deal fees—that go with that market. That's a very good thing." —Joseph Kornik



Jess Varughese

Now watch Jess Varughese discuss the financial markets and Milestone on Consulting magazine's One-on-One at [www.consultingmag.com](http://www.consultingmag.com).

