



# The Scorpio Partnership 2010 Wealth Management Deal Tracker

Report information

March 2010

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# About the 2010 Wealth Management Deal Tracker

## INTRODUCTION

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The **Scorpio Partnership 2010 Wealth Management Deal Tracker** is the first published report from our team looking specifically, and in detail, at the deal making activity in the international wealth management market through 2009 (starting in 2008 and running into 2010). Our intention is that this research will be undertaken on a regular basis – possibly annually – to deepen the industry insight into the M&A market activity surrounding wealth management. The Deal Tracker will complement our annual **Global Private Banking Benchmark** report.

In this first edition we have identified a total of 53 wealth management related deals that have taken place between the period Q3 2008 and mid-Q1 2010. In our view, the deals deemed relevant were those where the business rationale for the transaction was to support a strategy focused on wealth management – defined as a financial services business providing financial solutions for individual investors where the investor typically has a total net investable worth in excess of USD1 million.

In terms of transaction volume, the total deal value amounts to USD510.8 billion (where data is available). What is notable is that there are marked variances in the P/AuM depending on the business model and segment of market focus for either transacting party. For reference, the majority focus of this report is on deals in the European and APAC markets although we also touch on larger deals struck in North America.

The intention of the M&A Deal Tracker is to capture the key market data covering the defining deals over the period, whether domestic or cross-border. In terms of the inclusion of deals, it should be noted that we have analysed a number of deals where the transaction has been announced although at the time of publication of this report the deal has not completed.

Overall, our aim is to develop a deeper, data-led, understanding of the trends in the M&A activity for global wealth management. To support this, we look in depth at the trends impacting deal activity and seek to uncover variances between different models and not just in terms of pricing. In short, our aim is to evaluate the drivers for deal activity in global wealth management. Critically, these factors will in our view influence future thinking and the strategic orientation of the landscape.

53 deals covered from  
Q3 2008 through to Q1  
2010

Domestic and cross-  
border

Main focus on Europe  
and APAC

## EXCERPT FROM THE 2010 WEALTH MANAGEMENT DEAL TRACKER

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From lows through 2008 and into Q1 and Q2 2009, deal activity rose through 2009 to a peak in Q4 of 17 major deals across the international market.

The return to deal activity in the second half of 2009 was ignited in the first half of the year by three macro market primary drivers.

### THREE MACRO MARKET PRIMARY DRIVERS

- The market's rebound from the downturn, general increased levels of confidence
- Government interventions, first bail-outs, then forced divestitures
- The re-entry of financing in the capital markets

Five secondary sector specific strategic drivers prompted further deal activity, reacting to the conditions created by the three primary macro drivers, re-igniting the drive to do deals that fitted with the strategic orientation or re-orientation of business models.

### FIVE SECONDARY SECTOR SPECIFIC STRATEGIC DRIVERS

- Focus on cross-border deals into markets of opportunity, particularly APAC
- Consolidation and requirement for scale in domestic markets
- The increasing burden and expectation of regulatory environments
- Ensuring access to distribution, particularly offshore going onshore
- Government led attacks on offshore jurisdictions and the model of offshore

Concurrently, the rising level of activity in reaction to the above also drove a rise in the value of deals and the size of the target books through 2009

- The total value of all deals announced in Q4 2009 was an impressive USD20.22 billion, up from USD90 million in Q3 2008.
- The average price per deal also jumped more than tenfold over 2009 from USD250 million in Q4 2008 to USD2.9 billion in Q4 2009.
- The value of the total assets under management changing hands per quarter rose from lows of USD12.9 billion (Q3 2008), USD8.3 billion (Q4 2008) and USD7.8 billion (Q1 2009) to USD21.9 billion Q4 2009.

The rise in valuations was driven by cross-border deals, particularly in access to the future battleground markets in APAC

- The average price paid through 2009 for cross-border deals averaged USD1.47 billion compared to USD870 million for domestic-on-domestic deals.
- Interestingly, the buying community were paying twice as much for books of assets twice as small. The average book size in terms of assets under management for domestic was twice as large (USD21.8 billion) compared to cross-border (USD10.7 billion).

- In terms of price paid to assets under management, cross-border deal making fetched 5.8% compared to 4.1% for domestic.
- The real premium was paid for access to APAC with deal multiples coming on average at a price paid to assets under management of 6.9% - within the top quartile of deal pricing. A “vendors market” in the classic sense.
- Europe, meanwhile, has been the classic “buyers market”. Impacted by government intervention and forced sales, the prices paid for assets came in at the low end compared to the previous time periods with an average price paid to assets under management multiple of just 2.4%.

**By wealth segment, deals have been trending toward the MNW and HNW market segments and firms with strong asset management capabilities**

- Businesses with a scaled asset management capability coupled to a MNW and/or HNW client base extracted the highest price multiples. This is particularly true for newer markets, or faster growing wealth centres, able to place a larger premium on their books, particularly if they also link it to an asset management engine.
- For European deals which have a more traditional private banking (either onshore or offshore) flavour, the buying community is now revaluing and it is fair to say that a price range of 2-3% of assets is likely to become an industry norm for the next few years.

## WHY BUY THIS REPORT?

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The report is compiled by an experienced team of consultants and analysts who are constantly engaged with the international wealth management market.

You can begin to understand and track the key metrics of deal activity in the international wealth management market.

We believe deal making in this sector is at the cusp of a period of increased deal activity as players of all sizes and shape seek to capture opportunities. This report offers an insight into the key strategic rationale and metrics central to this process and buyers of this work can access the data to determine if they are transacting at the right price and at the right time in the market. Good intelligence, in our view, will help that assessment.

The 2010 Wealth Management Deal Tracker is therefore essential reading for private banking management, private banking strategy teams, private equity and corporate finance houses and financial analysts as well as service providers to the private banking market including asset managers and investment banks and specialist professionals such as lawyers, accountants and consultants.

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### Deal table contents

|                               |   |
|-------------------------------|---|
| <b>Target nation</b>          | The country in which the target business is headquartered and/or mainly operational   |
| <b>Acquirer</b>               | The name of the acquiring business/parties  |
| <b>Acquirer nation</b>        | The country in which the target business is headquartered and/or mainly operational   |
| <b>Seller</b>                 | The name of the selling business/parties  |
| <b>Deal type</b>              | The five deal types are: <ul style="list-style-type: none"> <li>- Acquisition</li> <li>- Strategic investment</li> <li>- Merger</li> <li>- MBO</li> <li>- Joint venture (JV)</li> </ul> |
| <b>Announcement date</b>      | The date when the deal was first publically announced   |
| <b>Close date</b>             | The date when the deal was legally closed   |
| <b>Price</b>                  | The agreed price for the deal in US dollars (USD)   |
| <b>AuM target</b>             | The assets under management controlled by the target business   |
| <b>Price paid/Aum (P/AuM)</b> | The price paid by the acquirer on a percentage basis against the level of assets under management acquired  |

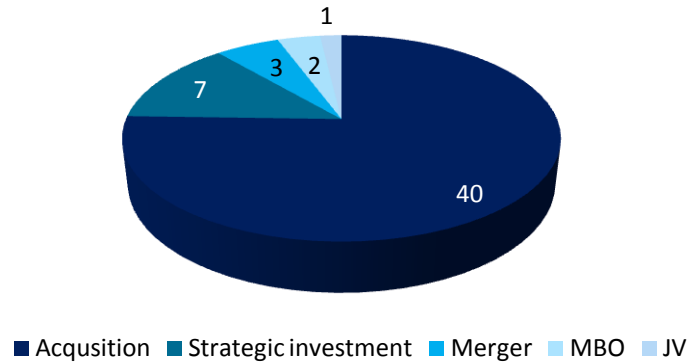
### Definition of the business models

| Business model            | Definition  |
|---------------------------|---|
| <b>Private bank</b>       | The main business activity is private banking services to HNWs and Institutions   |
| <b>Retail bank</b>        | The main business activity is serving retail clients, i.e. lending operations   |
| <b>IFA</b>                | Independent financial advisor   |
| <b>Investment company</b> | The main business activity is to acquire majority stakes in diversified sectors   |
| <b>Universal bank</b>     | Several main business activities, including lending operations, private banking services and corporate banking services |
| <b>Asset manager</b>      | The main business activity is managing assets for both retail, HNWs and Institutional clients                           |

### The deals by their structure

In terms of the breakdown of the 53 deals covered in this work by their deal type, the vast majority – 40 – were straight out acquisitions. The remaining 13 deals were split: 7 strategic investments, 3 mergers, 2 MBOs and 1 joint venture (JV).

### The deals by their structure

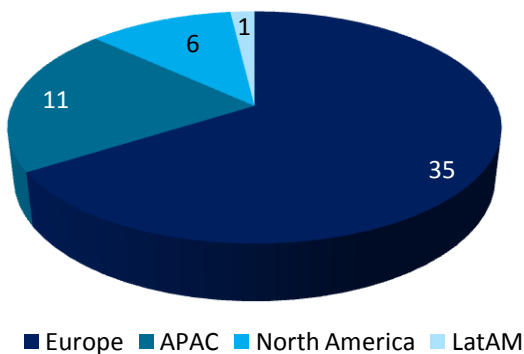


Source: Scorpio Partnership

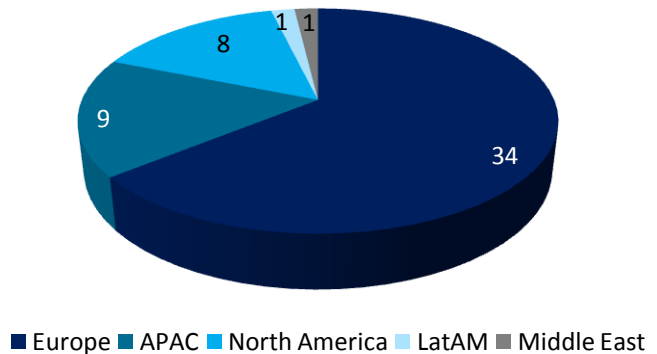
### The deals by their geography

By geography, the report analysis examined deals across the global market. However, it is worth noting that for north America the focus has for the inaugural report been on the major market transactions and it is acknowledged that there will a considerable number of domestic US transactions – particularly among the investment advisory community and smaller banks (we are currently exploring whether we can collaborate with a US advisory firm to develop this further). However, they have fallen outside the scope of the analysis here as our primary intention has to be to develop an assessment of the trends in wealth management M&A across the global markets.

### Buyers by region



### Vendors by region



Source: Scorpio Partnership

## ABOUT SCORPIO PARTNERSHIP

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Scorpio Partnership is the leading insight and business consultancy to the global wealth industry.

The firm specialises in understanding the wealthy and the financial institutions they interact with. We have developed four transformational disciplines – **SEEK**, **THINK**, **SHAPE** and **CREATE** – each designed to enable business leaders to strategically assess, plan and drive growth. The solutions Scorpio Partnership develops regularly win awards for its institutional clients and help them financially profit.

Our disciplined teams leverage expertise in:

### SEEK

- Client research
- Advisor research
- Market mapping
- Company/Intermediary research
- Brand identity audits

### THINK

- Product/Service development
- Business case development
- Concept solutions
- M&A diligence
- Brand identity development

### SHAPE

- Market entry solutions
- Media and Event solutions
- Training and Education solutions
- Sales & Marketing campaigns
- Brand identity solutions

### CREATE

- Campaign management
- Change management
- Strategic marketing
- M&A implementation
- Specialist consulting

Scorpio Partnership has conducted more than 300 global assignments across wealth for institutions in the banking, fund management, regulation, IT and technology, insurance and charity sectors.

Scorpio Partnership has been voted best global consultancy to the wealth management industry for the three consecutive years \*. The firm is independent and owned by management.

For more information go to [www.scorpiopartnership.com](http://www.scorpiopartnership.com)

\*Wealth Briefing

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## Other Scorpio Partnership reports

### Global Private Banking Benchmark

The annual Scorpio Partnership Global Private Banking Benchmark is the most authoritative analysis of the global private banking landscape, from the world's leading independent wealth management strategist. It is based on the analysis of results from 80% of the world's private banks, and is essential reading for those at the forefront of our industry.

### HNW Asset Allocator

HNW Asset Allocator is Scorpio Partnership's bi-annual global study on the asset allocation practices of the private wealth management industry. The results map responses from 33 private wealth management institutions managing in excess of USD7 trillion in private client assets globally.

### ULTRA

Ultra is written monthly by our senior staff – including Directors and Partners. It summarises what is happening internationally in the wealth management market with a focus on business strategy, and our thought leadership insight on what it means for the business.

### Vintage

Vintage is an innovative 'on-demand' geographical wealth databank, providing strategic data on the wealth market in over 30 different geographies. Vintage includes segmented market sizing, investor characteristics and competitor landscapes.