

Survey shows private bankers are in an acquisitive mood

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Nearly three quarters of private bankers polled in a survey by accountancy firm KPMG believe acquisitions are worth making in the current environment.

Views from 100 executives across the world were sought, with 20% saying deals were “definitely” worth contemplating and 54% agreeing this was “probably” the case. Around 19% were disinterested in acquisitions and 7% were not sure.

Serial acquirers of recent years, notably listed wealth adviser EFG International, have ceased to be active now their share prices have gone off the boil. Certain would-be acquirers have become nervous as a result of the economic crisis and pressure on margins. But several banks are keen to sell foreign businesses at the behest of government rescuers. Commerzbank’s decision to sell Kleinwort Benson is an example.

Swiss sales are planned, according to Ray Soudah of advisory firm Millennium Associates who said: “The trend over the next 12 months is likely to accelerate and buyers can be smart and selective as valuations have dropped to 2002 levels and in some cases even below them.”

Would-be vendors are also concerned by a global 15% fall in the number of millionaires. Many are keen to bolster their capital ratios.

According to Merrill Lynch’s World Wealth Report, average operational growth of 17% from 2006 to 2007 more than halved to 6% from 2007 to 2008.

In contrast, banks on the front foot, such as Credit Suisse and Barclays Wealth, take the view that deals will help them take business from third parties in a low-growth environment. One analyst said acquirers are more confident that key advisers would stay in place than during the boom. According to KPMG, 6% of assets are lost, on average, one year after the

completion of a deal.

KPMG said there was a big gap between buyers and sellers and the financing of deals can be tough: “More than a third of respondents cite both a lack of financial resources and excessive price expectations on the part of the seller as restricting further M&A.”

In a separate survey, management consultant MDRC said 54% of respondents think bids are more likely in the current environment, as firms struggle to gain market share.

A breakdown of trust between client and adviser was noted in a survey published by Dow Jones Wealth Bulletin this month. The Merrill Lynch survey has confirmed the trend, adding that 76% of clients had lost faith in advisers across the industry.

This puts acquirers innocent of accusations of mis-selling products at a clear advantage. Headhunters say advisers have become reluctant to join banks facing this kind of redemption threat.