The market has responded positively to the announcement that Zurich-based Julius Baer is to acquire SBC Wealth Management, the UBS unit that encapsulates GAM, Ehinger & Armand von Ernst, Ferrier Lullin & Cie. and Banco di Lugano, for SwFr 5.6 billion.

The share prices of both firms increased above Thursday’s closing prices following the announcement of the deal, although the Baer price fell from the heights attained on Friday when the market thought an announcement of its sale to UBS was imminent.

A number of private banking analysts, experts and senior executives contacted by TheWealthNET were also very positive about the deal.

“This could be of seminal importance to the ongoing consolidation of the Swiss private banking sector and provide a catalyst to further deals,” said Bruce Weatherill, a partner at PricewaterhouseCoopers (PwC) and head of its private banking and wealth management practice. “These will undoubtedly put the spotlight on medium sized firms. But, as the deal between Julius Baer and UBS illustrates conclusively, this doesn’t mean that medium-sized Swiss banks are sitting ducks. They can always attempt to follow Baer’s example and attempt to grow by acquisition to achieve the scale necessary to prosper in today’s international private banking markets.”

Charles de Boissezon, the chief executive of Geneva-based Banque Piguet, was equally positive. “The deal has much to commend it from a number of perspectives,” he told TheWealthNET. “Julius Baer has set its stall out as a specialist independent private banking and wealth management firm. This is very good from a Swiss perspective as it sends out a very positive message to the rest of the world.

“It should also help calm the market. Market speculation is not always very helpful to someone attempting to manage a business as labour turnover can start to increase significantly on the back of the latest rumours.

“The deal should also be good for clients as well as shareholders. The three banks that Baer has acquired have similar business
models to their new owner. In addition, Baer has said that special attention will be given to ensuring the continuity of existing personal client relationships. Clients can often suffer in the aftermath of mergers. But it doesn’t appear to be the case in this instance.

“The deal provides Julius Baer with a number of positive attributes,” said a London-based bank analyst. “The first is scale, especially in the private banking sector where client assets under management almost double from SwFr 60 billion to SwFr 113 billion. The second is a considerably strengthened management team with both Johannes de Gier (chief executive) and David Solo (head of asset management) joining Baer’s Alex Widmer (head of private banking) and Rolf Aebel (chief financial officer).

“The third attribute is an enhanced product range, courtesy of GAM. And enhanced international growth prospects provide the fourth attribute. Moreover, we don’t think Baer overpaid for its new assets. If everything does go according to plan the deal will be revenue and profit positive. And it also offers opportunities for cost cutting, especially in the back office.”

Ray Soudah, the founder and chief executive of Zug-based Millenium Associates, an M&A boutique that focuses on the wealth management sector, thought the deal tended to favour UBS.

“The deal is not a complete surprise,” he told TheWealthNET. UBS has always wanted to solve the issue of the private label banks while Julius Baer wants to remain independent. The deal helps Baer achieve the latter end as it makes them bigger while the UBS stake in the firm provides a poison pill against future takeover bids.

“As far as pricing is concerned, the deal is well priced for UBS. It is a bit expensive for Julius Baer. The point is that it doesn’t solve Baer’s new money gathering problem or provide it with an enhanced network outside Switzerland.”

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