Imbalances In Swiss Independent Asset Management M&A - MilleniumAssociates

Ray Soudah, 10 July 2018

A senior figure advising wealth managers in Europe around M&A discusses some of the pain points for the Swiss independent asset management sector.

There have been several merger and acquisition deals affecting Swiss and other European private banking and wealth management firms in recent weeks, with examples including Vontobel's purchase of Notenstein La Roche, the merger of Geneva-based houses Gonet & Cie and Mourgue d'Algue & Cie, an Austrian purchase by Liechtensteinische Landesbank, and the Union Bancaire Privée deal to buy Banque Carnegie Luxembourg.

A highly respected figure who tracks such activity and advises players in the space is Ray Soudah, chairman and founding partner of MilleniumAssociates, an M&A and corporate finance firm operating in Switzerland and the UK. In recent times he has spoken to this publication about his expectations for the future shape of European private banking.

In this commentary, Ray Soudah reflects on some of the issues and points at stake. His comments are entitled ***Imbalance in the State of the M&A Scene of Swiss Independent Asset Management Industry****. His comments are part of a series of papers he is presenting to interested parties about industry developments. The editors of this news service are pleased to share these views and invite readers to respond. Email tom.burroughes@wealthbriefing.com*

First let us define the industry in broad terms: there are several thousand, mostly niche to medium sized [firms], each handling and or advising assets under management of under one billion Swiss francs.

Many of them are using external custodians and third-party fund managers and tend to focus on advising their end clients on investment strategy and fund/asset allocation. They maintain their client relationships are strong and longstanding.

The whole industry or most players in it have been enjoying reasonable revenues and margins in the recent years owing to still relatively favourable and highly priced asset and securities markets, thus there is no pressure on most of them to sell, merge or consolidate.

Nevertheless, they face the ever-increasing costs and burdens of compliance regulations and technological issues, even though they may manage to handle these one way or another.

A recent direct strategy survey of several dozen such firms located all over Switzerland produced interesting feedback which can be summarised, in general terms, as follows:

Lack of growth:

Most stated that they are challenged to find suitable growth either from existing clients, but especially from new clients and markets.

Desires to acquire:

Most stated that they wish to leverage their "platforms or infrastructure" and acquire one or some of their peers since "their peers must be having challenges".

Unique proposition:

Most stated that their investment strategy or investment philosophy was quite special and unique and that they were "different".

Initial conclusions:

With such opinions being expressed by a large membership of the industry, it clearly reflects an imbalanced M&A market in favour of potential sellers given that:

• most want to buy others;

• most believe the industry should consolidate;

• most believe they are in a strong position to be a consolidator; and

• most deny or avoid admitting they are potential sellers

The desire for scale is not limited to independent asset managers but also aspired to by the smaller private banks especially those with unlimited liability like the recent well regarded example of Gonet and Mourgue d'Algue et Cie.