



M&A in the  
**Investment sector**

in the second quarter of 2021

*July 2021*





We continue to experience very buoyant markets for mergers and acquisitions (M&A) in the financial services sector in general and in the Investment sector in particular. Investors' appetite for risk is still growing, making significant amounts of capital readily available for strategic and purely financial investments.

Hence, the Investment sector produced another quarter of strong growth helped by favourable stock markets conditions and plenty of M&A activity, including public to private takeovers.

- Several **strategic acquisitions**, as well as bolt-ons and consolidations, drove the market.
- **Public companies engaged more** in M&A, often looking for complementary capabilities and products.
- Aggregate **transaction values totalled almost £2bn**.
- **Private Equity funds remained very active** in the sector providing support to their investee companies' acquisitions.
- The **brokers increased their earnings estimates further** for public companies in the sector whose values improved commensurately.
- Valuations for the public companies in the sector rose further and are now at high levels compared to historic averages, reaching **double digit EV/EBITDA multiples** in all subsectors except Private Client Stockbrokers.

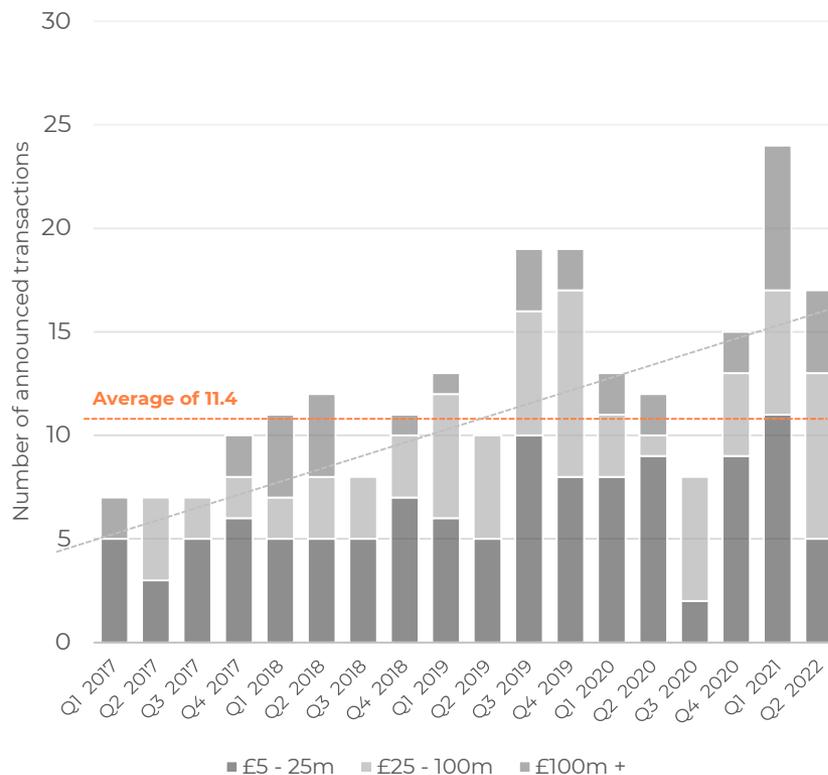
This document looks at transactions of an actual or estimated value of **£5m or more involving companies in the "Investment" sector**, covering retail and corporate financial advisers, advisory and discretionary personal portfolio managers, institutional asset managers and service providers to the Investment sector.



The momentum from the first quarter of this year remained strong in the second quarter with 17 announced transactions, significantly higher than the quarterly average of 11.4 transactions since the start of 2017. It makes a total of 41 transactions in the first half of the year compared to a total of 48 transactions during the whole of last year.

- Most of the transactions (9) involved targets in the Wealth Management sector, including IFAs and Personal Discretionary Portfolio Managers with Financial Planning capabilities. Six of the acquirers were public companies, including JPMorgan, Rathbones, Canaccord Genuity and Mattioli Woods.
- The successful flotations on the stock market of Bridgepoint and PensionBee proved the strong appetite from institutional investors in the space. This was also seen in the strength of support for Mattioli Woods's £110m equity placing, equivalent to almost half of the market value (of the equity) of the company at the time to finance the acquisitions of Maven Capital Partners and Ludlow Wealth.
- Private Equity and Debt funds continued their active involvement in the sector, backing Titan Wealth Holdings, a newly created vehicle in the investment platform and DFM market that announced its first two transactions in the quarter. It also included Aquiline Capital Partners' investment in Wealth at Work and Foresight Group's entry to the sector via its investment in Beckett Investment Management.
- The buoyant market conditions also offered the opportunity for profit-taking by funds including Epiris (which sold Saunderson House) and Mobeus Equity Partners (which exited Ludlow Wealth Management), both of which were bought by trade buyers.

### Quarterly Transaction Volumes



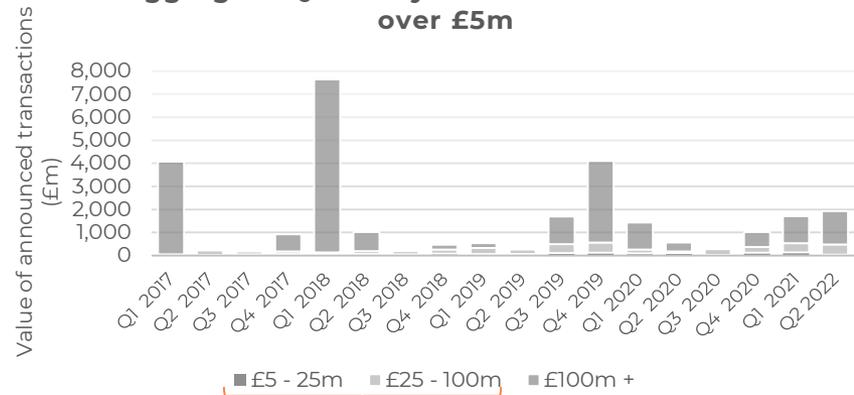
Source: IMAS-insight.



Aggregate transaction values in the second quarter of this year reached over £1.9bn, as shown in the graph at the top on the right. That is slightly higher than the previous quarter of £1.7bn and the fourth highest quarter since the beginning of 2017:

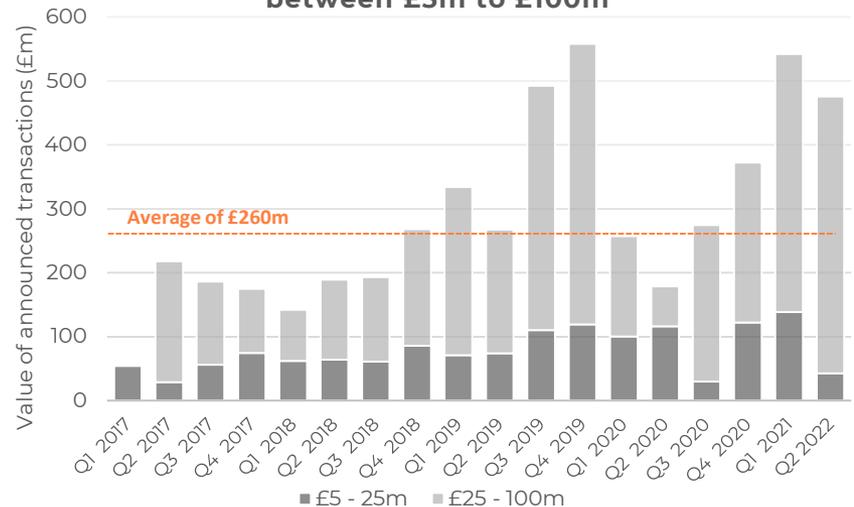
- The aggregate value of £3.6bn for the first half of the year now exceeds the total of £3.3bn for the whole of last year.
- The values were boosted by notable transactions such as JPMorgan's acquisition of Nutmeg, the flotation of Bridgepoint and Mattioli Woods's purchases of Maven Capital Partners and Ludlow Wealth Management.
- The aggregate value of deals below £100m in the quarter (shown in the bottom right graph) rose 68% above the quarterly values in the previous four years.
- This was helped by the size bracket £25m to £100m being particularly busy, counting a total of eight transactions with a combined value of over £430m, almost equalling the record high in the last quarter of 2019. The trade buyers were prominent here, adding capabilities (exemplified by Mattioli Woods's acquisition of Private Equity manager Maven Capital Partners) and taking out other shareholders (in the case of Vontobel and Savills Investment Management buying the equity they did not already hold in Twenty Four Asset Management and DRC Capital, respectively).
- But, it also featured financial sponsors in the case of Aquiline Capital Partners investing in Wealth at Work, and Ares Management, Maven Capital Partners and Hambleden Capital's backing of Titan Wealth Holdings in its two transactions.

### Aggregate Quarterly Values of Transactions over £5m



Source: IMAS-insight.

### Aggregate Quarterly Values of Transactions between £5m to £100m



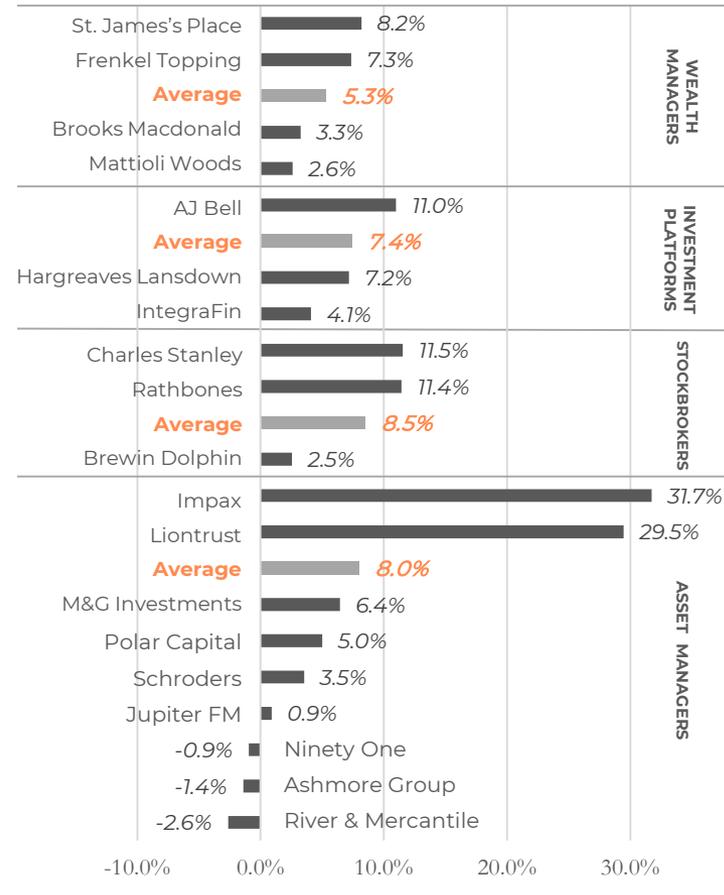
Source: IMAS-insight.



The outlook for the sector remains very strong. Supported by positive news flow, most public companies in the space saw their EPS forecasts upgraded in the second quarter of this year:

- The Wealth Managers had their earnings forecasts revised modestly upwards, being supported by benign stock markets and healthy underlying growth in volumes. The sector also benefitted from a string of M&A announcements involving public companies, including Mattioli Woods and AFH being taken off the market.
- The Investment Platforms continued to impress the analysts who were bullish across the board, especially in the case of AJ Bell where the confidence was very high on the back of strong interim results reported in May. As with the Wealth Managers, the number of public companies in the sector shrank, with Nucleus being taken off the market.
- Among the Private Client Stockbrokers, both Rathbones and Charles Stanley had their forecasts rerated by over 10% following the results announcements in the quarter, showing resilient earnings and strong net inflows of funds.
- The picture was more mixed among the asset managers but, on the whole, very positive. The downgrades were not significant and, in the cases of both Impax and Liontrust, the consensus was very bullish as the prospects for further high growth was confirmed, especially for Liontrust which reverted its downward revisions in the previous quarter.

**Changes in EPS forecasts in Q2 2021**



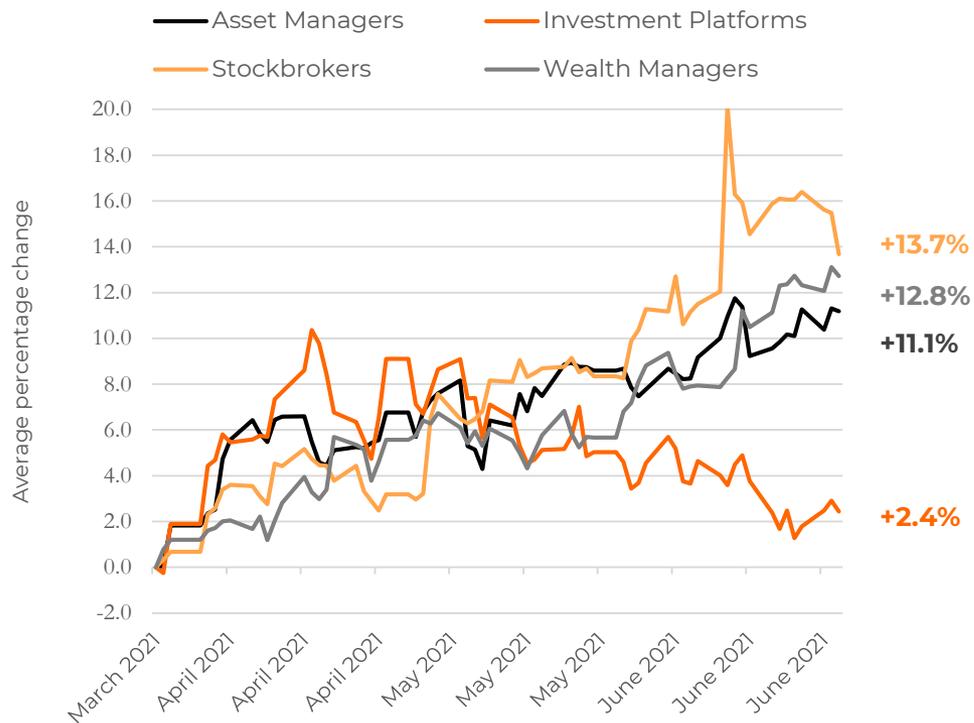
Source: FactSet



With the backdrop of very positive sentiment in the sector, values of its public companies continued to grow during the second quarter of this year as the market revised forecast earnings upwards:

- All subsectors performed well and traded up, on average. The Asset Managers, Stockbrokers and Wealth Managers significantly outperformed the FTSE All Share index, which rose 4.8% over the period.
- There was more volatility in the share prices of the Private Client Stockbrokers, but they ended the quarter trading close to their peers in Wealth Management.
- The Investment Platforms had a particularly strong run in April following a flat performance in the first quarter of this year. Since then, they have under-performed other parts of the sector.

## Share Price Developments



Source: FactSet

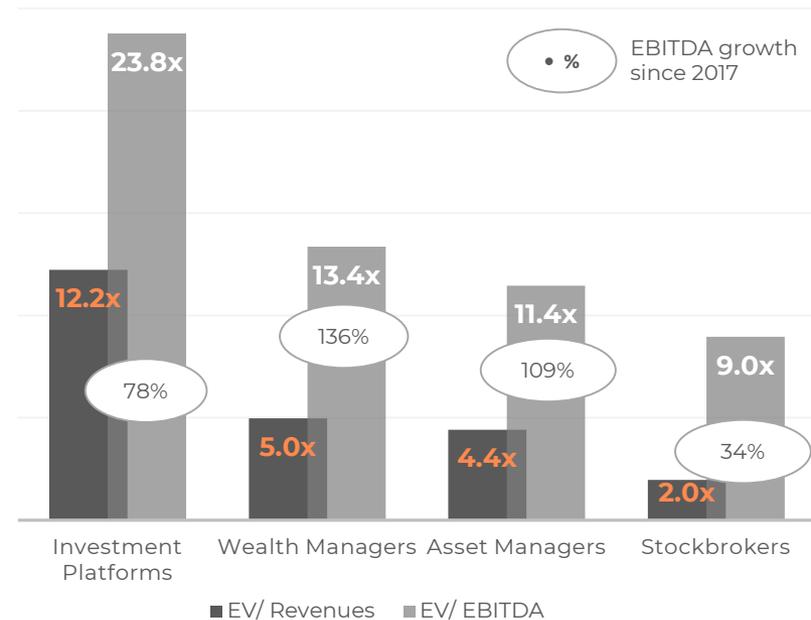
**DEFINITIONS**  
 "Asset Managers": Jupiter, Liontrust, Schroders, Ashmore, Polar Capital, River & Mercantile, Impax Asset Management, M&G Investments and Ninety One.  
 "EV": Enterprise Value  
 "Investment Platforms": Hargreaves Lansdown, AJ Bell, and IntegraFin (Transact).  
 "Stockbrokers": Brevin Dolphin, Charles Stanley, Rathbone Brothers and Walker Crips.  
 "Wealth Managers": St James's Place, Brooks Macdonald, Mattioli Woods, Frenkel Topping, Kingswood.



With the generally optimistic outlook for the sector being supported by healthy growth in underlying earnings in the last five years, average valuation multiples in the public arena increased in the quarter:

- There appears to be a strong and logical correlation between earnings growth and valuation multiples, with the exception of Investment Platforms where the multiples are significantly higher despite somewhat lower growth rates. This may partly be due to their inherent scalability which has helped create strong and consistent organic growth rates in recent years that are expected to be sustained without having to engage in M&A activity or other significant capital spending.
- With the recent strong share price developments, both the Wealth Managers and Investment Platforms were trading on multiples 25% to 40% higher than in the previous quarter and these are high compared to historical averages. The increase was not as pronounced for the Asset Managers and Stockbrokers.

**Average valuation multiples for forecast 2021  
Revenues and EBITDA**



Source: FactSet

DEFINITIONS

"Asset Managers": Jupiter, Liontrust, Schroders, Ashmore, Polar Capital, River & Mercantile, Impax Asset Management, M&G Investments and Ninety One.  
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Our team has long-standing experience from deals in the Investment sector, including:



**Fred Hansson**  
Partner



**Krzysztof Owerkowicz**  
Partner



**Aleksey Kireenkov**  
Director



**Foivos Lagios**  
Associate

Date	Client	Size	Counterparty	Description
May 2021	Mattioli Woods plc	£1.6bn AUA	mobeus EQUITY PARTNERS	Advised Mattioli Woods on the acquisition of Ludlow Wealth from Mobeus Equity Partners
December 2020	Appian Asset Management	€330m AUM	Gresham House	Advised Appian Asset Management on the sale to Gresham House
November 2020	radiant financial group	£800m AUA	APIARY CAPITAL	Advised Radiant Financial Group on the sale to Apiary Capital and management
October 2020	SENECA INVESTMENT MANAGERS	£600m AUM	momentum	Advised Seneca Investment Managers in the sale to Momentum Global Investment Management
October 2020	PWM	£1.6bn AUA	7im	Advised Partners Wealth Management in the sale to Seven Investment Management
June 2020	CITY OF LONDON Investment Group PLC	\$3.4bn AUM	Karpus Investment Management	Advised City of London Investment Group on the acquisition of Karpus Management Inc.
May 2020	Tages	\$6bn AUM	INVESTCORP	Advised Tages Group in the joint venture between Tages Capital and Investcorp's Absolute Return Investment business
December 2019	WAVERTON INVESTMENT MANAGEMENT	£1.1bn AUA	TIMOTHY JAMES & PARTNERS INDEPENDENT FINANCIAL ADVISERS	Advised Waverton Investment Management on the acquisition of Timothy James & Partners
November 2019	Cornelian ASSET MANAGERS	£1.4bn AUM	BM BROOKS MACDONALD	Advised Cornelian Asset Managers on the sale to Brooks Macdonald Group
May 2019	MOBIUS LIFE	£17bn AUA	Phoenix Equity Partners	Advised Mobius Life on the sale by Souter Investments of the company to Phoenix Equity Partners
March 2019	THOMAS MILLER INVESTMENT	£1.0bn AUM	cg/Canaccord Genuity Wealth Management	Advised Thomas Miller Investment on the sale of its private client business to Canaccord Genuity Wealth Management
May 2018	T C M	£1.1bn AUM	7im	Advised Tcam Asset Management on the sale to Seven Investment Management