

Welcome to the 26th Investmentforum



Frankfurt

26th September 2024

Financial Services Deals

M&A Trends in AWM

Investmentforum 2024
PwC Deals

26 September 2024





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Deals Momentum in AWM

Introduction & Agenda



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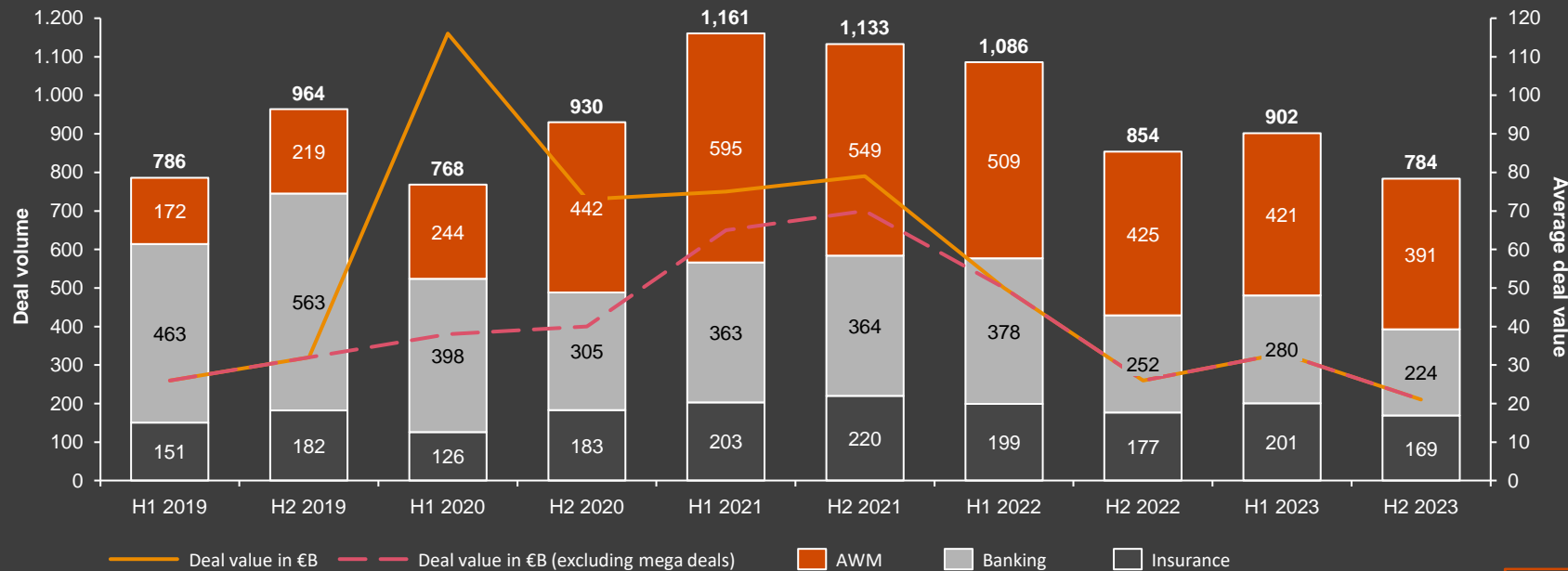
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Agenda

1. Introduction
2. Deals Momentum in AWM
3. PwC Deals Team
4. Appendices

In recent years AWM has been the largest Financial Services Subsector in terms of number of Deals and Deal volume

EMEA Financial services deal barometer



“Blackrock has been a successful acquirer, and today advancements in tech and AI, scaling of private markets, and more attractive valuations means BlackRock is once again becoming increasingly engaged in M&A discussions.”

Larry Fink, CEO BlackRock
October 2023

“There is no doubt we can, and over the years, we’ll do more acquisitions,” Gorman said. “It will be in the wealth and asset management space...”

James Gorman, CEO Morgan Stanley
April 2023

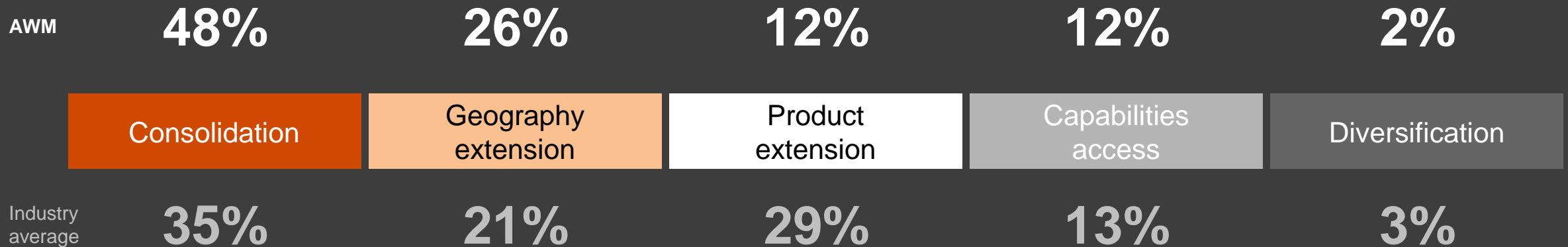
“47% of financial services CEOs are planning to make acquisitions in the next three years.”
PwC, January 2024

“I see the current environment, which is obviously less positive than it was five years ago, as a potential opportunity for the future.”
Valérie Baudson, CEO Amundi
October 2023

“By 2027, 16% of existing asset and wealth management (AWM) organisations will have been swallowed up or have fallen by the wayside—twice the historical rate of turnover.”
PwC, July 2023

In recent years AWM has been the largest Financial Services Subsector in terms of number of Deals and Deal volume

Deals by stated strategic intent (%)



Consolidation deals, which intend to realise synergies and economies of scale, usually between two companies with similar businesses

Geographic adjacency deals, in which the acquirer uses M&A to expand into a new location





Product or category adjacency deals, in which a company buys a business with a product, service or brand that is related, but not identical, to its existing business categories

Capability access deals, for which the explicitly stated goal is to acquire some capability that the target has and the acquirer wants

Diversification deals, which allow companies to enter a new or unrelated industry, typically with the rationale of insulating results against the business cycle.

Various strategic and operational challenges leading to increased European M&A activity

Significant M&A activity of AMs is driven by key transactional drivers

Driver	 Search for scale and leverage	 Strategic partnerships	 Portfolio optimization	 Capability Access
Description	Larger asset managers growing through acquisitions can leverage their scale to spread costs across a wider asset base, allowing them to execute deals more efficiently.	Firms are increasingly exploring strategic partnerships to enhance revenue, capitalizing on shared revenue opportunities while strategically streamlining back-end operations for efficiency gains and cost reductions.	The challenging market has led AMs to optimize portfolios for profitability and higher valuations. Reviewing existing portfolios helps businesses focus capital allocations and pull back where needed to maximize overall profitability.	AMs are diversifying their product offerings through M&A, new distribution channels, new asset classes, and enhanced product innovation to address challenges.
Recent deals	With the acquisition of NN Investment Partners €1.7 bn, Goldman Sachs Asset Management expanded its AUM significantly, enhanced its Equities and ESG investment capabilities, and provided significant operational synergies.	BNP Paribas (BNP) entered into exclusive negotiations with AXA to acquire 100% of AXA Investment Managers (AXA IM) in August 2024.	DWS has partially sold its in-house developed Digital Investment Platform in order to focus more on Asset Management as its core business	Amundi's acquisition of Lyxor from SocGen for €825m was strategically driven by the need to enhance capabilities in ETFs and active management.

Recent M&A transactions continue to drive size and growth of Asset and Wealth Managers

Selected M&A Transaction in the Asset and Wealth Management sector in the last 12 months

ABN AMRO
acquires **Hauck**
Aufhaeuser Lampe

Stake 100.0%	Price EUR672m
AuM EUR26bn	P/AuM 2.58%

BNP Paribas
acquires **AXA**
Investment Managers

Stake 100.0%	Price EUR5.1bn
AuM EUR850bn	P/AuM 0.6%

HSBC
plans to sell
HSBC INKA

AuA c. EUR400bn

2023 05 06 08 09 Q4 Now

Commerzbank
acquires
Aquila Capital

Stake 74.9%	AuM EUR14bn
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BNP Paribas
acquires **HSBC's**
WM unit in
Germany

Stake 100.0%	AuM EUR26bn
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■ Signed deals ■ Rumour

Note: AuA/AuM figures represent the acquired AuA/AuM; P represents price

Source: Mergermarket; PwC analysis

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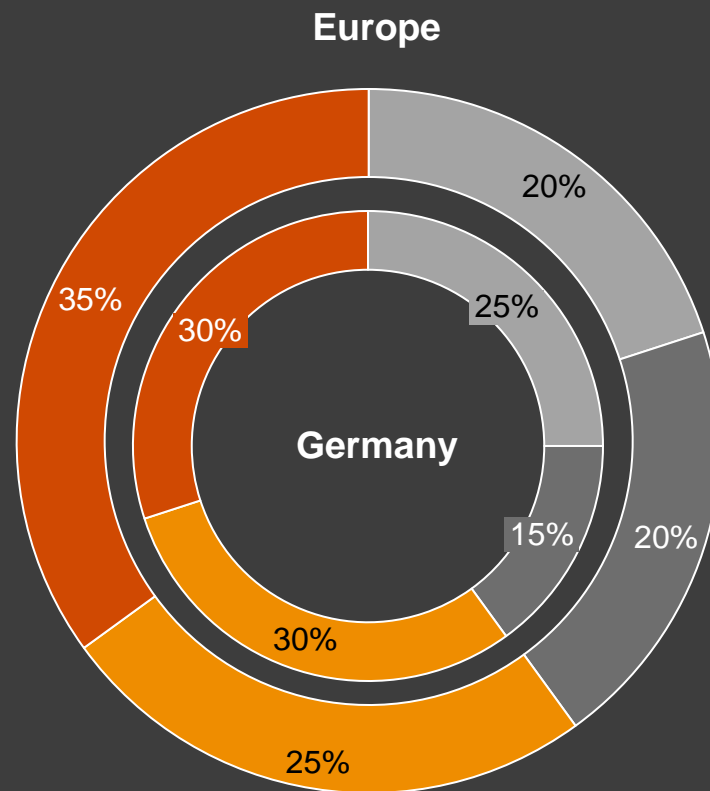
The investor base for M&A activity has been diverse, with significant contributions from various types of investors

Private equity (PE) firms

- PE firms have been particularly active in acquiring WealthTech companies and expanding digital capabilities. They are also interested in scale deals to achieve cost efficiencies and market expansion.
- Similar to the broader European market, PE firms in Germany are focusing on acquiring technology-driven asset management firms and those with strong growth potential.

Strategic buyers

- Strategic buyers are pursuing both scale and scope deals. They aim to enhance their service offerings, expand client bases, and integrate advanced technologies.
- German strategic buyers are keen on consolidating the market, achieving economies of scale, and enhancing their competitive positioning through acquisitions.



Family offices and HNWIs

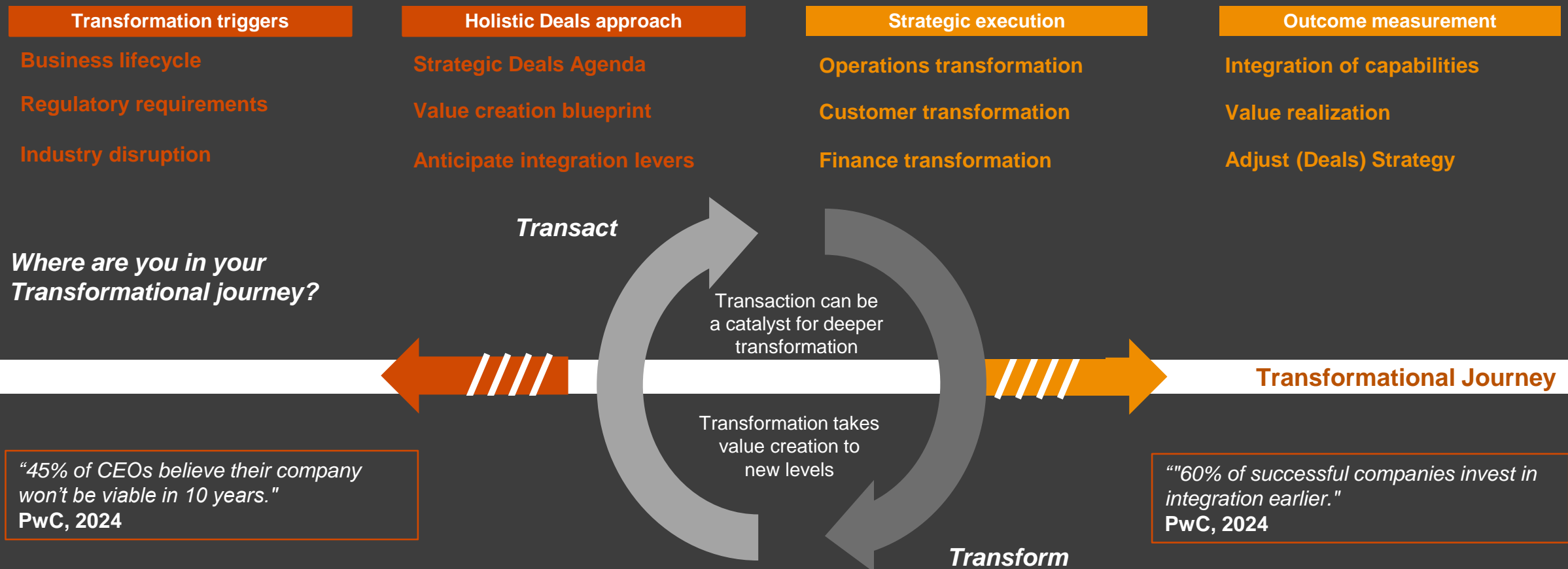
- These investors are looking for investment opportunities and are often involved in niche markets and specialized asset classes.
- These investors are interested in unique investment opportunities and often participate in smaller, specialized deals.

Institutional investors

- Institutional investors, such as pension funds and insurance companies, are investing in AMs to diversify their portfolios and gain exposure to stable, long-term returns.
- Institutional investors in Germany are targeting stable, income-generating AMs to bolster their investment portfolios.

“Transact to Transform” focuses on leveraging M&A to drive significant transformation within companies

Reinvent business models to achieve sustainable growth and adapt to dynamic market conditions

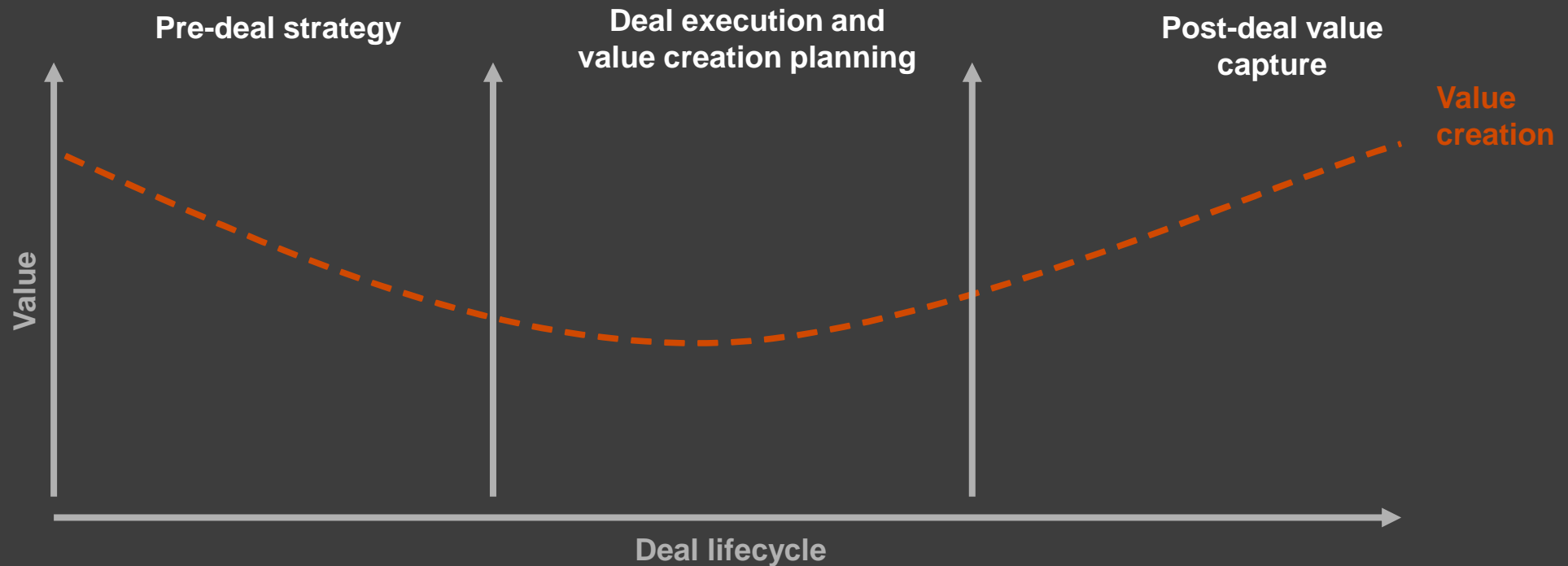




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How PwC can help?

Overview PwC Deals Service Menu along the Deal cycle




Overview PwC Deals Service Menu


Transaction Services	Valuation, Modelling & Analytics	Delivering Deal Value	Business Recovery Services
<ul style="list-style-type: none"> • Financial Due Diligence • Business Plan validation • Vendor Assistance / Financial Fact Book • Vendor Due Diligence • M&A Advice • Transaction Structuring Advice • Portfolio Advisory and Asset Screening • Carve-out Assistance • VDR management, PMO 	<ul style="list-style-type: none"> • Valuation according to IDW S1, Value Indication and Value Estimation • Integrated Financial Modelling Carve-out and M&A Modelling • Financial Model Testing • Review and validation of business plans • Value Driver and Sensitivity Analyses • Purchase Price Allocation • Fairness Opinion Impairment Test 	<ul style="list-style-type: none"> • M&A integration • Divestment Support • Carve Out Due Diligence • Carve Out Planning and Implementation • Carve Out Financials • Operational Due Diligence • Post Deal Performance Improvement 	<ul style="list-style-type: none"> • Holistic restructuring advice and crisis management • Financial restructuring • Restructuring reports & business reviews incl. liquidity analysis • Insolvency-related advice • Cost reduction and efficiency increase incl. liquidity management • Financing and Working capital advice
<ul style="list-style-type: none"> • Deals Strategy • Disposal and Separation Advice • Acquisition and Fundraising Support • Due Diligence • Valuation • Other Financial Advice Services 	<ul style="list-style-type: none"> • Tax Due Diligence • Tax SPA Advice • Purchase Price Allocation • Tax Structuring 	<ul style="list-style-type: none"> • Legal Due Diligence • Deals Structuring • Deals Support (LOI, Term Sheet, etc.) • Signing & Closing Processes • Merger Control Proceedings • Debt Financing Support • Other Filing Requirements 	<ul style="list-style-type: none"> • Transformation Advice • Support in Financing for public and private infrastructure providers • Profitability Analysis • Financing and Funding Program Support • Managed services
M&A & Deals Strategy	Deals Tax	Deals Legal	Finance & Economic Promotion

Your designated FS Deals team


FS Deals Partners and Directors with dedicated AWM focus




Christopher Sur
Partner, TS
Global FS Deals
Leader




Volker Skowasch
Partner, VMA




Marc-Alexander
Schwamborn
Partner, VMA



Stefan Linder
Partner, VMA



Jörg Jünger
Director, TS



Sebastian Wiegand
Director, TS

 Plus over 60 further dedicated Financial Services Deals Professionals in Germany

...with In-depth Industry Expertise in FS subindustries:

Asset & Wealth
Management

Banking

Insurance

FinTech

Real Assets

Financial Advisor / Broker

Capital Markets

Payments

Debt Collection

Leasing

Key success factors for corporate transactions

Maintaining a strategic focus throughout the transaction process ensures that the deal aligns with the long-term goals of the company. This involves regular portfolio reviews and strategic planning.

A structured approach to preparing for the transaction is crucial. This includes comprehensive due diligence and understanding the target company's financials, operations, and market position.

Integrating the finance function early and thoroughly can help in maintaining financial stability and transparency. This includes aligning financial reporting and systems.



Establishing a clear project organization and structure is essential. This involves defining roles and responsibilities, setting up effective communication channels, and ensuring top management is actively involved.

Identifying and realizing synergies early in the process can drive value creation. This involves detailed planning and execution to capture cost savings and revenue enhancements.

Rapid integration post-transaction is vital to realize synergies and maintain momentum. Delays can lead to uncertainty and loss of value.

Addressing cultural differences and managing change effectively can significantly impact the success of the integration. This includes aligning organizational cultures and managing employee expectations.



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Selected Transactions

Deal Highlight I: BNP Paribas acquires AXA Investment Managers

Summary

Background information

BNP Paribas (BNP) entered into exclusive negotiations with AXA to acquire 100% of AXA Investment Managers (AXA IM) in August 2024.

Deal value

The transaction is a cash deal, with BNP paying the full amount (EUR 5.4bn) in cash. The transaction also includes a long-term strategic partnership where BNP will manage a significant portion of AXA's assets.

Timeline

The signing of the proposed transaction is expected by the end of 2024, with the closing anticipated by mid-2025, subject to regulatory approvals and consultation with employee representative bodies.

Deal rationale

Market position



BNP becomes a leading European asset manager, with combined AuM of approx. EUR 1.5 trillion and an enhanced market presence, particularly in Europe. It will enable BNP to serve a larger and more diverse client base more effectively.

Product offering



BNP will offer a significantly enhanced product portfolio, including a strong focus on alternatives and sustainable investments which will cater to a wide range of client needs, from institutional investors to retail clients.

Synergies



The strategic partnership with AXA will drive further synergies, particularly in the management of AXA's assets. This partnership ensures a steady flow of assets to manage, driving BNP's long-term growth.

Client benefits



Clients will benefit from a broader array of asset classes and enhanced investment management services, particularly in alternatives and sustainable investments.

Deal drivers

Expansion of AM capabilities for BNP

Strategic partnership with AXA

Enhanced market position in Alternatives

Focus on core insurance business for AXA



Headquarter: Paris, France
Branches: 1,600
Employees: 183,000
Profit before tax: EUR 11.7bn
Balance sheet size: EUR 2,591.5bn

Segments / Products:

Retail Banking	Corporate Banking
Institutional Banking	Wealth Management
Asset Management	Insurance



Headquarter: Puteaux, France
Branches: 18
Employees: 2,700
Profit before tax: EUR 609.0m
Balance sheet size: EUR -

Segments / Products:

Asset Management	Wealth Management
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Deal Highlight II: ABN AMRO acquires Hauck Aufhaeuser Lampe

Summary

Background information

ABN AMRO announced its acquisition of Hauck Aufhaeuser Lampe (HAL) in May 2024, aiming to bolster ABN AMRO's WM business in Germany by integrating HAL with ABN AMRO's Bethmann Bank. The acquisition is expected to significantly enhance ABN AMRO's market position in Germany.

Deal value

The acquisition of HAL by ABN AMRO was valued at EUR 672m. This amount will be adjusted after closing based on audited financials. The deal is expected to adding around EUR 26bn in AuM and EUR 2bn in loans.

Timeline

The acquisition was announced in May 2024. The acquisition process is currently underway, with the finalization expected in early 2025, subject to the necessary regulatory approvals.

Deal drivers

➤ Strategic expansion in German WM market

➤ Leveraging the complementary strengths

➤ Substantial growth opportunities

➤ Generating significant operational synergies

Deal rationale

Market position



The acquisition will make ABN AMRO to one of the top three WM providers in Germany with combined AuM of around EUR 70bn. It positions the combined entity as a leading bank services provider for wealthy private clients, family businesses, and institutional clients in Germany.

Product offering



The integration of HAL will expand and improve the product and service offerings for both individual and business clients. HAL's strong presence in private banking and asset management complements ABN AMRO's existing services, providing a more comprehensive suite of solutions.

Synergies



The combined entity will benefit from operational efficiencies and enhanced service capabilities. HAL's expertise in asset servicing, particularly for illiquid assets, will complement ABN AMRO's existing offerings.

Client benefits



Clients will have access to a broader range of products and services, including enhanced wealth management solutions and expanded asset management services.



Headquarter: Amsterdam, Netherlands
 Branches: 100
 Employees: 20,000
 Profit before tax: EUR 3.5bn
 Balance sheet size: EUR 377.9bn
 Segments / Products:

Retail Banking	Corporate Banking
Wealth Management	Commercial Banking



Headquarter: Frankfurt am Main, Germany
 Branches: 18
 Employees: 1,500
 Profit before tax: EUR 113.4m
 Balance sheet size: EUR 11,777.5m
 Segments / Products:

Retail Banking	Corporate Banking
Asset Management	Asset Servicing
Investment Banking	

Deal Highlight III: BNP Paribas signs deal to buy HSBC WM

Summary

Background information

HSBC decided to divest its wealth management unit in Germany as part of a broader strategy to streamline its global operations and focus on core markets. BNP Paribas has signed a deal to buy HSBC's private banking unit, expanding its footprint in wealth management in Europe.

Deal value

The wealth management unit, formerly known as Trinkaus & Burkhardt, is valued between EUR 300m and EUR600m. The specific deal value has not been disclosed.

Timeline

The agreement was signed in September 2024. The deal is subject to regulatory approvals, which are expected to be obtained by mid-2025.

Deal drivers

➤ Strategic focus on core markets

➤ Optimization of business portfolio

➤ Capital reallocation to more strategic areas

➤ Regulatory and compliance considerations

Deal rationale

Market position



The acquisition will significantly enhance BNP Paribas' market position in Germany, increasing its assets under management to over EUR40bn. While the divestment from HSBC allows them to streamline its operations and focus on core markets, particularly in Asia.

Product offering



BNP Paribas will offer a comprehensive range of services, including investment and corporate banking, asset management, and more, to high-net-worth and ultra-high-net-worth clients.

Synergies



The integration of HSBC's private banking unit will create operational efficiencies and complement BNP Paribas' existing regional coverage in Germany.

Client benefits



Clients of the wealth management unit will benefit from BNP's enhanced capabilities and broader range of services, potentially leading to improved investment outcomes and service quality.



Headquarter: Paris, France
Branches: 1,600
Employees: 183,000
Profit before tax: EUR 11.7bn
Balance sheet size: EUR 2,591.5bn

Segments / Products:

Retail Banking	Corporate Banking
Institutional Banking	Wealth Management
Asset Management	Insurance



WM unit

Headquarter: Dusseldorf, Germany
Branches: 9
Employees: ~ 120
Profit before tax: EUR -
Balance sheet size: EUR -

Segments / Products:

Corporate Banking	Wealth Management
Asset Management	Global Markets



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Your Questions

Thank you for
your attention!