

# Press Release



Contact: Barbara Gallo  
+ 1 201-413-2930  
bgallo@pershing.com

## **BNY Mellon's Pershing Advisor Solutions Unit Releases New Study Focusing on Mergers and Acquisitions Activity for Independent Registered Investment Advisors**

JERSEY CITY, N.J., December 9, 2009 – A new independent study published by Pershing Advisor Solutions LLC, a BNY Mellon company, and FA Insight finds that while merger and acquisition (M&A) activity slowed during the economic downturn, transactions among independent registered investment advisory (RIA) firms are poised for resurgence, as a new market environment emerges and the pool of potential buyers undergoes dramatic change.

The study, entitled *Real Deals 2009: Definitive Information on Mergers and Acquisitions for Advisors*, provides RIAs with an in-depth analysis of important trends shaping the M&A marketplace in the advisory industry. It's also a valuable guide for helping RIAs better assess a wide range of developments that include the level of transaction activity, the impact of the economic climate on valuations and deal terms, the shifting appetite for transactions among leading buyer and seller types and the most notable deals announced in the past year.

*Real Deals 2009* builds on key findings from Pershing Advisor Solutions' two previous *Real Deals* studies published in 2006 and 2008. This foundational analysis offers RIAs a backdrop to explore critical lessons and best practice guidelines for firms contemplating or pursuing a sale, merger or acquisition. The study emphasizes that carrying out a successful transaction involves much more than just negotiating deal terms. Advisors are offered guidance on critical, but often overlooked, success factors that transacting parties must consider in the months leading up to and immediately following the formal closing of a deal. Topics range from pre-transaction planning and due diligence to post-transaction acclimation and integration. Highlights from the new study include:

- *Shift in Pace* - A very different picture has emerged in 2009 as M&A activity has shifted in recent years. In 2007 a record 67 transactions occurred involving the merger or sale of an RIA with at least \$100 million or more in assets under management. According to the study, through the first three quarters of 2009, 31 transactions have been recorded. The 2009 pace is similar to the 44 transactions for all of 2008, which represents a 30% decline relative to 2007;
- *Shift in Buyer Make-Up* - The report illustrates that a new trend for RIA-to-RIA mergers and a decline in serial buyers has materialized. RIAs transacting with other RIAs have become the most common deal type, accounting for 29% of all transactions year-to-date. Serial buyers—which peaked at 36% of all transactions in 2008—dropped to a 26% share of deals through the first three-quarters of 2009;
- *M&A Activity Poised for Resurgence* - Despite the current slowdown, the report indicates industry M&A activity appears poised for resurgence. Serial buyers remain strongly committed to their longer-term acquisition strategies and the growth that the industry represents. The study also shows that the trend of increasing RIA-to-RIA mergers and acquisitions will continue as RIAs become more confident and more aware of the benefits that can be gained by pursuing a merger or acquisition with their own kind;
- *Serial Buyers Pause and Retool* - Serial buyers are narrowing their scope on what constitutes a desirable acquisition, particularly in terms of ensuring that a strategic fit is evident prior to entertaining a deal. Serial buyers are also making tactical changes to broaden their opportunity set, paying increased attention to deals involving smaller firms, breakaway brokers, non-U.S. firms and niche market specialists;

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- *Long-term Vision Prevails over Short-term Financials* - Transactions that move forward tend to be driven by the buyer's long-term strategy as opposed to any desire for a short-term opportunistic gain. Consistent with the theme of strategy trumping purely financial motivation, synergistic buyers have been the most common and most active of serial buyers. More than half of all serial transactions have been attributable to synergistic buyers since January 2008;
- *Demise of Bank Buyers Greatly Exaggerated* - Many were quick to write-off banks as acquirers as the credit crisis dawned in early 2008. Although their role has diminished, banks continue to remain active buyers of advisory firms. From January of 2008 through September of 2009, the study indicates that 18 deals were initiated by banks or trust companies. Typical acquirers tend to be regional banks that have managed to maintain healthy balance sheets; and
- *A New Environment* - The new M&A environment for advisory firms can be summarized by the need to exercise what initially appears to be contradictory behavior. First, to identify the right partner to transact with, firms must broaden their selection of opportunities, but exercise caution in who they decide to do business with. Second, proceeding with a deal requires a deliberate pace as well as the ability to be flexible when necessary. Buyers and sellers must also be especially confident that the transaction will be aligned with the firm's business strategy and result in a tight cultural fit.

Mark Tibergien, chief executive officer of Pershing Advisor Solutions, said, "Capital constraints, economic uncertainty and increased levels of caution characterize the current attitudes of marketplace participants and serve as a leading catalyst for slowing M&A activity. However, despite the current slowdown, industry M&A activity appears poised for a rebound. Advisory firm owners are interested in liquidity, serial buyers remain strongly committed to their longer-term acquisition strategies and the pace of RIA-to-RIA mergers and acquisitions has increased."

Dan Inveen, a Principal at FA Insight, added, "Immediate financial reward is no longer the primary measure of deal-making success. Today's best transactions are founded on a shared vision and commitment of parties to create long-term value. It is essential that both buyers and sellers understand the other in terms of personality, compatibility and cultural fit."

*Real Deals 2009* is a component of Pershing's Ideas Without Limits<sup>SM</sup> thought-leadership program and was commissioned by Pershing Advisor Solutions LLC and independently executed by FA Insight. Transaction data and expert interviews form the foundation of this report. A variety of sources, including survey data, trade publications and regulatory filings also contributed to the development of the transactions database. To receive a copy of the study, please contact Pershing Advisor Solutions at (800) 445-4467 or via email at [pasinformation@pershing.com](mailto:pasinformation@pershing.com).

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