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NEWS RELEASE

MEGA-FIRMS EYE SELLOFFS TO SLIM DOWN

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Thousands of financial advisers and hundreds of billions of dollars in assets at a number of financial institutions could soon be on the move as distressed firms look to sell off major brokerage and money management operations.

In the wake of Citigroup Inc.'s decision to sell a majority stake in Smith Barney to Morgan Stanley in January and the move by Barclays PLC to offload its prized iShares unit this month, industry observers said that several other behemoth banks and insurers are now set to shed similar subsidiaries to raise fresh capital and shore up their balance sheets.

Citigroup and Morgan Stanley are both based in New York. Barclays is based in London.

Specifically, the retail-brokerage businesses of three major financial institutions — New York-based American International Group Inc., Amsterdam, Netherlands-based ING Group and UBS AG of Zurich, Switzerland — could be sold off over the next few months, either in their entirety, or in pieces.

AIG, for its part, has been shopping its AIG Advisor Group of three broker-dealers for months, while ING confirmed last week that it could soon sell three of its four -broker-dealer units once executives at the company wrap up a new strategic review of the businesses.

UBS, meanwhile, which is in the process of significantly cutting costs and paring its U.S. wealth management business, could also sell off parts of its retail brokerage business in the coming months, industry observers noted — just as it did when it sold 320 advisers to St. Louis-based Stifel Nicolaus & Co. Inc last month for up to \$46 million.

"It's something we wonder about every day now," said one UBS adviser, who asked not to be identified. A UBS spokeswoman declined to comment on the possibility that the company will sell any part of its U.S. wealth management business.

Combined, these AIG, ING and the UBS brokerage units boast more than 19,000 total advisers, with the 11,000 representatives at the AIG and ING businesses accounting for about 10% of the total independent broker-dealer population.

Private-equity firms could well end up being buyers for such units, said Ben Phillips, partner at Darien, Conn.-based strategic consulting firm Casey Quirk & Associates LLC.

"But don't count out Canadian banks either," he said. "Many are well-capitalized, and they're also unencumbered by any of the [Troubled Asset Relief Program] issues that would restrain a U.S. financial institution from making a major acquisition."

Along with retail-brokerage businesses, it appears that banks and insurers are also putting other operations with substantial assets under management on the block as well.

For instance, executives at Charlotte, N.C.-based Bank of America Corp. have stated publicly that they are actively shopping its San Francisco-based First Republic Bank subsidiary. But multiple sources also indicated that BofA is auctioning off its Boston-based Columbia Management Group unit, which runs more than \$386 billion in assets — with New York-based BlackRock Inc. said to be the frontrunner for the mutual fund business.

Representatives from BofA and BlackRock declined to comment about a potential deal.

Yet Laurence Fink, chairman and chief executive of BlackRock, which manages nearly \$1.3 trillion in institutional and retail assets, said last week during an earnings call that the firm is looking at a number of firms in light of the "dismantling of either wealth management or asset management platforms from banks."

BofA chief executive Ken Lewis, for his part, declined to comment on a sale of Columbia during his company's earnings call last week. But he noted that "any time you acquire a property the size of Merrill Lynch [& Co. Inc. of New York], you step back and you look across all your business lines" to assess the strategic importance of each business.

Ironically, after BofA acquired Merrill Lynch, it also inherited Merrill's roughly 49% ownership stake in BlackRock. So selling Columbia to a firm in which BofA already holds a substantial ownership stake could have some complications, sources noted, particularly because BofA isn't permitted to own more than 50% of BlackRock at any point.

"It'll make getting a deal done tricky but not impossible," said one investment banker familiar with the Columbia sale, who asked not to be identified, adding that the first rounds of bids on the unit were due last week.

Other money management units are said to be on the block as well.

Sources said that Philadelphia-based Lincoln Financial Corp. may be close to a deal for its Delaware Investments subsidiary, which managed more than \$118 billion at the end of last year. A Delaware Investments spokeswoman declined to comment, however.

And Barclay's officials have indicated that they are now willing to listen to offers for the entire \$1.4 trillion Barclays Global Investors business, including iShares. Even though Barclays has agreed to sell iShares for \$4.4 billion to Luxembourg-based CVC Capital Partners Group, bank officials are able to entertain additional bids through June 18 as part of a "go shop" clause included in the deal, which would allow Barclays to solicit a better offer.

"There's some real demand right now for distributors of investment products and advisers with significant books of business," said **Dan Seivert, chief executive and managing director of Echelon Partners LLC**, an investment bank in Manhattan Beach, Calif. "Selling the manufacturers of investment products, however, will prove to be much more of a challenge."

ABOUT ECHELON PARTNERS

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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