

# Press Release



THE BANK OF NEW YORK MELLON

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## **The Bank of New York Mellon's Pershing Advisor Solutions Unit Releases New Study Highlighting Mergers & Acquisitions Activity for Independent Registered Investment Advisors**

Jersey City, N.J., August 1, 2008 –Pershing Advisor Solutions LLC, a subsidiary of The Bank of New York Mellon Corporation, released a new independent study today with Moss Adams LLP entitled *Real Deals 2008: Definitive Information on Mergers and Acquisitions for Advisors*.

The study reviews the mergers and acquisitions market in the independent registered investment advisory (RIA) industry over the past decade and benchmarks key changes in the marketplace since Pershing Advisor Solutions' previous study with Moss Adams entitled *Real Deals: Definitive Information on Mergers and Acquisitions for Advisors*, published in 2006. The report provides a framework for advisory firm owners to evaluate various transaction options, including guidelines that review the advantages and disadvantages of each deal type. According to the study, the average number of annual deals rose 37% in the last two years and the increase in acquisitions shows long-term signs of sustainability. Highlights from the study include:

- *Let's Make A Deal:* RIAs are looking for a deal. At least once within the last two years 53% of RIAs either bought or considered buying another advisory firm. RIAs who want to buy are predominantly looking to access new markets or for an acceleration of growth by improving leverage or capacity. According to the study, the most important drivers for a firm sale or merger are as follows: 37% of advisors are seeking a succession solution, 25% are aiming to achieve synergies with an acquirer, 17% are looking to cash out their equity value, 9% are motivated by financial rewards, 5% view the transaction to be in their clients' best interest and 7% courted a sale or merger for other reasons than those listed;
- *Supply Meets Demand:* Advisors in 2008 have many more options for creating liquidity or raising capital than they did two years ago, as recorded in *Real Deals 2006*. While ad hoc bank purchases represented the predominant deal type during the first half of the current decade, serial buyers have emerged over the last two years as the leading investor type. Serial buyers, whose strategies center on making multiple advisory firm deals, accounted for more than one-third of transactions during the 2006–2007 period;
- *The Changing Buyer Landscape:* *Real Deals 2006* data illustrated that most deals were situational and, in general, motivation was primarily synergistic. Today, synergistic deals are overshadowed by purely financial buyers who tend to be passive, or financially motivated serial buyers who seek to add value with existing capabilities, such as by integrating complimentary services or leveraging general scale efficiencies. These buyers are more interested in near-term financial gain than in deals that complement their strategies. Consistent with their financial orientation, they have added greater complexity to deal terms, shifting more risk to sellers and making actual value difficult to gauge;

- *Transaction Activity is Intensifying:* Mergers and acquisitions are building stronger firms, creating synergies, enabling efficiencies and providing training and development opportunities for a new generation of advisory firm leaders. *Real Deals 2006* highlighted an active and growing seller's market for advisory firms. Since this time, a record number of deals have been made, driven by both the supply side and the demand side. The annual number of transactions involving investment advisory firms averaged 35 during the 2000–2005 period examined in *Real Deals 2006*. The average number of annual deals in the two years since that study has jumped 37%, to 48 and despite a slowing of transaction activity in early 2008, the long-term trend of an increasing number of deals remains strong;
- *Understanding the Implications:* Transaction trends are promising to reshape the industry. The implications of this new environment will affect most firms—regardless of their current interest in such transactions. They will face growing pressure to enter into deals in light of rising valuations, consolidation and staff development needs. Understanding the long-term implications of the various deal structures and buyer options is critical for advisory firm owners; and
- *Being Prepared:* Whether a deal is in their immediate future, advisory firm owners must continually invest in their firms, build transferable value and position their firms as if a transaction were immediately pending. When the time is right to pursue a transaction, it must be done deliberately and with clear purpose. The best-prepared firms are organized as businesses built to last and possess solid management, an orientation toward growth, depth of talent and sustained profitability.

Mark Tibergien, chief executive officer of Pershing Advisor Solutions, said, “While this mergers and acquisitions environment is encouraging for continued industry prosperity, it poses challenges for firm owners in their attempts to understand and take advantage of the opportunities that arise. The terms of the most successful transactions in any given situation are shaped by the characteristics of the individual firm and by the business and personal preferences of its owners.”

Dan Inveen, senior research manager at Moss Adams LLP, said, “Never before has the independent registered investment advisory marketplace experienced such a high volume of transactions and had so many options for structuring deals. The transaction environment we are experiencing is characterized by a rapidly rising level of market liquidity. As a result, firms can now grow and develop in ways that were previously unimaginable.”

*Real Deals 2008* is a component of Pershing's Ideas Without Limits™ thought-leadership program and was commissioned by Pershing Advisor Solutions LLC and independently executed by Moss Adams LLP. 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.

Pershing Advisor Solutions LLC (member FINRA/SIPC) is an affiliate of Pershing LLC and a leading provider of financial business solutions to independent, fee-based registered investment advisors and dually-registered advisors working in conjunction with many of Pershing LLC's introducing broker-dealer customers. Pershing LLC (member FINRA/NYSE/SIPC), a subsidiary of The Bank of New York Mellon Corporation, is committed to delivering dependable operational support, robust trading services, flexible technology, an expansive array of investment solutions, practice management support and service excellence. Through an innovative custody platform, Pershing Advisor Solutions delivers superior expertise and scalable and customizable solutions to help its customers manage and grow their fee-based businesses. Additional information is available at [www.pershingadvisorsolutions.com](http://www.pershingadvisorsolutions.com).

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