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Old Mutual to Acquire British Wealth Manager for \$936.6 Million

By Chad Bray

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LONDON – The insurer Old Mutual said Friday that it had agreed to acquire Quilter Cheviot, the private equity-backed British wealth manager, in a deal worth up to 585 million pounds, or about \$936.6 million.

The acquisition of Quilter Cheviot is expected to bolster Old Mutual Wealth, the insurer's wealth management division. The combined unit would have about £92 billion in funds under management after the transaction.

Quilter & Company was acquired by the private equity firm Bridgepoint Capital in 2011 from Morgan Stanley and later combined with Cheviot.

As part of the transaction, Old Mutual would pay up to £585 million, a significant portion of which would be used to satisfy outstanding debt and other nonoperating liabilities of Quilter Cheviot.

A portion of the consideration, about £42 million, would be paid in restricted shares to the company's management shareholders. The equity would be paid on a deferred basis and contingent on business performance.

“We have made considerable progress in the execution of our stated strategy this year as we increase the pace of change in the organization,” Julian Roberts, the Old Mutual chief executive, said in a news release.

“The acquisition of Quilter Cheviot delivers the final substantive part of our investment program in the U.K. toward building a vertically integrated wealth management business of scale in the U.K.”

The acquisition comes after Old Mutual spun off its United States-based asset management arm, OM Asset Management, in an initial public offering this month.

The transaction requires regulatory approval. It is expected to be completed in the first quarter of 2015 and to generate annual cost savings of about £15 million by 2017.

The client base of Quilter Cheviot, which traces its heritage back to 1771, includes high-net-worth private clients, trusts, charities and pension funds. It had funds under management of about £16.2 billion at the end of September.

Founded in South Africa in 1845, Old Mutual offers insurance, asset management and banking services to about 16 million customers worldwide. It had £300.5 billion in funds under management as of June 30 and employs about 56,000 people worldwide.

Bank of America Merrill Lynch, Pakenham Partners and Rothschild advised Old Mutual, while Evercore Partners and the law firms Linklaters and Shearman & Sterling advised Bridgepoint.