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News Release

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Asset Managers Add More Than $6 Billion in Annual Expense Because of Partial M&A Integration; True Synergy Leads to 20% Higher Profits: Casey Quirk

NEW YORK and DARIEN, Conn., July 17, 2019 — Asset management mergers and acquisitions continue to set new records. Yet, instead of generating savings, incomplete integration has led to 5% to 8% of additional costs for the industry, the equivalent of $6 billion to $8 billion annually, according to asset management strategy consultant Casey Quirk, a Deloitte business.

M&A in the industry has been spurred by weak organic growth. Still, post-acquisition success remains elusive for lack of sufficient integration of the combined businesses, according to Casey Quirk's new white paper, "More Perfect Unions: Integrating to Add Value in Asset Management M&A."

Firms that are more fully integrated have created competitive advantages and sizable economic benefits, including:

- Positive net new flows compared with net outflows for nonintegrated firms over a three-year period.
- Cost structures that are 8.5% lower than nonintegrated peers.
- Profitability levels that are 20% higher than nonintegrated competitors.

"Simply acquiring more assets under management will not make a firm more competitive," said Jeff Stakel, a Casey Quirk principal and co-author of the white paper. "True integration will yield competitive advantages, but it requires making tough decisions to realize the value of the combined organizations."

Focusing integration efforts on four core functions — organizational leadership, distribution strategy, enterprise and investment operations, and technology — can unlock significant value.

- **Organizational leadership:** Well-integrated firms avoid co-leadership structures and effectively reduce layers, resulting in lower senior headcount and related costs by 60%.

- **Distribution strategy:** Well-integrated firms revamp distribution groups and shift spending from sales compensation toward new talent and technology that improve the client experience and service efficiency, slashing functional costs by 13%.

- **Enterprise and investment operations:** Well-integrated firms centralize core business functions, governance, and trading policies to cut legal, fund accounting, risk management, and outsourcing by 10%.

- **Technology:** Well-integrated firms tackle duplicate costs across four fronts — data, people, applications and systems and infrastructure — reducing costs by 14%.

According to Casey Quirk, asset managers with successful integration programs share several common characteristics: a clear future state vision and financial plan; the ability to face tough decisions about duplicate leadership, capabilities and costs; an emphasis on project management skills in identifying change management expertise; consistent communication protocols with all stakeholders; and designing new incentives to reward combined success.

Data supporting the white paper was derived from the Casey Quirk analysis of publicly traded asset managers, Casey Quirk/McLagan "2019 Performance Intelligence Survey," and Morningstar, Inc.

Casey Quirk, a business of Deloitte Consulting LLP, is a leading management consultancy that focuses solely on advising asset management firms. Casey Quirk was established in 2002 and acquired by Deloitte in June 2016. The firm has advised a majority of the 50 largest asset management organizations worldwide, including eight of the top 10. Casey Quirk provides senior leadership teams with broad business strategy reviews, investment positioning and strategy consulting, market opportunity evaluations, organizational design, ownership and incentive structuring, and transaction due diligence. For more information, please see the Casey Quirk website here.

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