

# Clearview

Winter 2019

## Global Fund Administration Services

Strong global demand for a widening range of fund services is driving growth in the market.

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# Industry Insights

## Huge industry benefits

As business operations become ever more multinational so the demand for global fund administration services has grown in equal measure.

Whether it's finding a home for a global investment fund, offering regulatory compliance and accountancy services, or maybe help with expanding into new markets and obtaining necessary licensing, the industry has mushroomed in recent years.

Companies, investment funds, private equity (PE) funds, and family offices have, to a greater or lesser degree, always used fund services. However, as funds increase their global operations, and particularly face more regulatory scrutiny, so demand for a widening range of services has increased.

The demographics of the industry are changing fast too. While once it was very much centred on Western Europe, today its growth mirrors global patterns of wealth with the industry growing fast in the Middle East, Africa, and the Far East. Fintech is also playing an ever-increasing role with many cross-border services becoming rapidly automated.

## Consolidation

Against this backdrop, the industry is proving very attractive to investors, and high-quality assets in the global fund services industry are in much demand.

Leading the way has been private equity which has favoured investing in fund services management because of the long-term nature of the relationships that lie at the heart of the industry. This suits investors because PE funds will themselves typically run

funds that last for ten years or more, while family office funds operate for even longer timeframes.

A good recent example saw Inflexion acquire Estera, a leading global provider of funds, corporate and trust services, from fellow PE house Bridgepoint. Estera was then merged with Inflexion's existing portfolio company Ocorian, forming a global corporate service and fund administration leader with more than 8,000 clients. Of particular note in that deal is how Ocorian clients will now benefit from Estera's North American presence, while Estera clients will be able to leverage Ocorian's strong links to the Middle East and Africa.

## New players

Into this landscape, new groups are emerging to tap into the consolidation drive. For instance, Clearwater International recently advised International Administration Group (IAG) on its sale to Oak Group, a new private client, corporate services and fund administration group backed by the Financial Services Opportunities Investment Fund.

Oak was launched in March 2019 with the aim of developing a business that can offer a full range of administration services internationally, and the deal brings together the Oak Trust Group, Consortia Partnership and Kreston IOM.

In another recent deal, Clearwater provided debt advisory support to Palatine Private Equity on its acquisition of SMP, an international provider of corporate, trust and professional services. Further acquisitions are now planned as part of a buy-and-build strategy.



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Vistra is another global player that has made a number of acquisitions. It acquired Radius from PE firm Hg, a deal that doubled its International Expansion Services business, while it has also bought Global Expandia, a Jakarta based firm providing market entry and other related services to foreign-owned investors operating in Indonesia.

### Higher prices

With all this M&A activity it is little surprise that we are seeing good-sized businesses attracting good valuations. Indeed prices are high for PE trying to get into the space as there aren't many independent businesses left (as so many are already backed by PE investors).

So those who want a footprint in the industry have to pay for the pleasure, and those fund administration services which

draw the most attractive commercials are those which have strong global reach and strong scalability.

The industry is also attractive to public markets with some consolidators going down the IPO route after having made a number of acquisitions. A good example is Jersey-based JTC, a global provider of administration services to funds and corporate and private clients, which in 2018 was floated by CBPE - which originally invested in the business back in 2012. JTC had made a dozen acquisitions since 2010 as part of a successful buy-and-build strategy.

### Exit strategy

So the message from these deals is very clear. If you have a high-quality asset in this space and are thinking of a sale, then the chances are that you will

attract a lot of interest.

However, businesses contemplating such a move first need to ask themselves some fundamental questions. Are they ready to take on PE investment? Do they have the management teams in place to lead such a transaction and who have experience of dealing with PE? Are they using the right technology within their business? And are they super 'clean' in terms of compliance and risk?

If the answer to all these questions is a resounding yes, then now could be the perfect time to sell and realise value.



## Recent Transactions




MBO of



Acquisition finance  
Undisclosed




sold to



Sell-side  
Undisclosed




merged with



Management Advisory  
Undisclosed




invested in



Buy-side  
Undisclosed

## UK Team



**James Barraclough**

Partner, UK

Tel: +44 845 034 4774

Email: james.barraclough@cwicf.com



**Mark Maunsell**

Director

Tel: +44 845 052 0352

Email: mark.maunsell@cwicf.com

## International team

Jesper Agerholm **Denmark**, Thomas Gaucher **France**, Tobias Schätzmüller **Germany**, John Curtin **Ireland**, Francesco Perrini, **Italy**, Jose Lemos **Portugal**, Javier Perez Farguell **Spain**