
Financial Engines purchased by private equity firm

By Editorial Staff Thu, May 3, 2018

There were 208 M&A deals involving asset management firms worth \$21 billion in 2017, according to Sandler O'Neill & Partners. Combined deal values were up about 23% from the previous year.

In a sign of further consolidation in the investment management business, Hellman & Friedman agreed to acquire Financial Engines, the Sunnyvale, Calif.-based advisory firm co-founded in 1996 by Nobel Prize-winning economist Bill Sharpe, for \$3 billion.

The San Francisco-based private equity firm is paying \$45 a share. Shares of Financial Engines, which has been called the original “robo-advisor,” rose 32% to \$44.73 at 2:42 p.m. in New York trading last Monday, according to Bloomberg.

Life insurers, asset managers and private equity firms are buying investment managers as the sector automates and margins collapse. Investors increasingly rely on computers—rather than people—for money advice. The industry also faces the costs of complying with new rules in the U.S. and Europe aimed at improving fee transparency.

There were 208 asset management deals worth \$21 billion in 2017, according to a research note in February from Sandler O'Neill & Partners, an investment banking firm. Combined deal values were up about 23% from the previous year.

The Financial Engines transaction is the fourth-largest takeover of an asset or wealth manager since the beginning of 2017, according to data compiled by Bloomberg. Others were:

- Standard Life Plc's merger with Aberdeen Asset Management Plc to form the U.K.'s largest active manager in a \$4.5 billion deal.
- Jiangsu Shagang Co.'s proposal to buy Suzhou Qinfeng Investment Management Co. for more than \$3 billion
- Softbank Group's \$3.1 billion cash deal for Fortress Investment Group LLC
- The acquisition by Aberdeen Standard Investments, Standard Life Aberdeen Plc's money manager, of the U.S. business of ETF Securities, which specializes in precious metals and commodity exchange-traded products and has about \$2.8 billion in assets
- Nippon Life's purchase of a near-25% stake in Los Angeles-based money manager TCW Group Inc. from Carlyle Group LP in a deal valued at 55 billion yen (\$500 million)

Financial Engines primarily helps companies offer their employees 401(k) plans, individual

retirement accounts and other types of savings plans. As of Dec. 31, it provided those services to more than 700 employers, representing about 9.8 million workers and more than \$1.2 trillion in assets, according to its annual report. It also manages more defined contribution accounts than rivals including Morningstar Inc. and Fidelity Investments, according to an investor presentation in February.

The company earned \$47 million last year, or 63% more than in 2016, as its purchase of the Mutual Fund Store drove revenue higher. Co-founded in 1996 by economist William Sharpe, Financial Engines went public in 2010.

Hellman & Friedman has a history of investing in money managers. In the past it has owned stakes in Artisan Partners Asset Management Inc., LPL Financial Holdings Inc. and Franklin Resources Inc., according to Hellman & Friedman's website.

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