

## UBS IS MOST LIKELY TAKEOVER TARGET FOR WELLS

Originally Published By Mariah Summers, Fund Fire

In the wake of a statement by Wells Fargo CEO John Stumpf that the firm may buy a rival brokerage, a plurality of *FundFire* poll respondents believe UBS Wealth Management is the most likely target.

Nearly 29%, or 178 voters, chose UBS, making it the top answer in Wednesday's *FundFire* poll, which asked readers which brokerage Wells Fargo is most likely to buy.

Stifel Nicolas came in second place, with 19%, or 118 votes, followed by Raymond James Financial with 14%, or 84 votes.

RBC Wealth Management, Edward Jones and Morgan Stanley Smith Barney came next, with 9%, 8% and 4%, respectively. And just 2% said they believe Merrill Lynch will be Wells Fargo's next acquisition target.

In contrast, 13%, or 82 voters, said they didn't think Wells Fargo was going to acquire any brokerage, while 2% said it will be a brokerage other than those listed in the poll.

Though UBS was the clear favorite in the poll, industry observers aren't so sure whether it will be UBS or another firm – or if the firm will make an acquisition at all.

"If you truly wanted to buy a brokerage firm, announcing it to the world is essentially the stupidest thing you could do, because it drives the price up," says Danny Sarch, president of Leitner Sarch Consultants, an executive search firm.

"I think considering the problems that Wells Fargo still has with integrating Wachovia [which Wells Fargo acquired in late 2008], I find it really unlikely that someone would try to absorb something as large as UBS Wealth Management," Sarch adds. "It has been a rumor on the street and I think that every year UBS has rumors that they're selling U.S. wealth management, but it's one of the ironies that they are one of the only firms that have come through the financial crisis without their name changed."

Sarch adds that the fairly new leadership at UBS – including UBS Wealth Management Americas chief Robert McCann – could also deter that firm from selling.

“There’s a relatively new senior management team that’s running the show, and they’re reluctant to let somebody else drive the new car so soon,” Sarch says. He adds: “I could be wrong tomorrow, but [for Wells Fargo] to take on a brand new, very large firm strikes me as biting off more than you can chew.”

Another industry observer says that, though it seems doubtful that Wells Fargo will buy a large company at this point, stranger things have happened in the world of mergers and acquisitions.

“I would have said that Smith Barney would likely not be sold, but it was which likely underscored the financial pressure Citi was under at the time,” says **Daniel Seivert**, founder and managing partner of **ECHELON Partners**. “The headquarters of UBS has been under similar pressure and they have had their challenges with regard to the US Wealth Management Business. Therefore, some believed the Swiss were exploring their interests with respect to the property. But the business has trended better over the past year and remains a very important part of UBS’s four-pronged value proposition.”

Mindy Diamond, president of executive recruitment firm Diamond Consultants, believes Wells Fargo will probably move toward acquiring a brokerage, and agrees that UBS is a likely target, but does not believe it will happen any time soon.

“There have been loud and persistent rumors for awhile that Wells Fargo will buy UBS, and it’s logical because the Swiss have not made a secret of wanting to unload the legacy PaineWebber domestic wealth management unit,” Diamond says. “I don’t think that McCann has done enough work to turn it around and the stock price is not high enough. I also think it would be a blood bath in terms of attrition. I think that Wells is in the market to do something, but I don’t think it necessarily stands to reason that they’re going to do something now; I think that they were just saying it.”

A spokesman for Wells Fargo Advisors declines to comment. “Any speculation based on what John Stumpf said is just that – speculation – and we don’t comment on speculation,” he says.

#### ABOUT ECHELON PARTNERS

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as “investment product developers and distributors” (IPDADs). Since that time, ECHELON’s professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON’s business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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