

PROFESSIONAL PENSIONS TRUSTEESHIP

COOPER PARRY
CORPORATE FINANCE

GLOBAL
M&A
PARTNERS



SNAPSHOT

The professional **pension trusteeship landscape** is going through a rapid transition, driven by professionalisation and regulatory tailwinds. Recent M&A activity in the sector is also disrupting the market accelerating change. This snapshot explores:

**KEY
MARKET
THEMES**

**CORE
M&A
VALUE
DRIVERS**

**RECENT
M&A
ACTIVITY**

Favourable market conditions and a consolidating market are expected to lead to an increase in M&A activity in the near term.



KEY MARKET THEMES

Increasing market penetration by the professionalised operators and added scheme complexity drives growth despite structural market decline.

OVERALL MARKET

Number of defined benefit schemes declining at ~ **2% CAGR**, however, it is estimated **4,000 SCHEMES** will still be in operation in 2030

	DEFINED BENEFIT	DC (TRUST)	DC (CONTRACT)
Schemes	4,920	28,810	2,030
Open schemes	680	24,100	1,630
Total memberships	6,684,000	18,171,000	n/a
Total active members	631,000	9,275,000	5,347,000

MEDIUM TERM DRIVERS



<p>LOW PENETRATION</p> <p>Professional trustee penetration is currently low, at c25%¹, but expected to grow over the short and medium term.</p>	<p>PMI ACCREDITATION</p> <p>Demand for PMI accredited trustees growing, pushing work towards professional trustee groups who can manage training and development.</p>	<p>REGULATORY BURDEN</p> <p>The Pension Regulator “TPR” and Government pushing ever more regulation into the industry, increasing barriers to entry and driving professionalisation i.e. 21st Century Trusteeship.</p>	<p>COVID-19</p> <p>Financial challenges in sponsoring employers likely to increase restructuring and project related work over medium term.</p>
<p>FEE INCREASES</p> <p>Relatively immature professional Trustee market and heightened risk for employers means fee increases possible.</p>	<p>SOLE TRUSTEESHIP</p> <p>Key trend in the market, driving work towards professional trustees and creating the opportunity for higher fees per scheme.</p>	<p>SERVICE OFFERING</p> <p>Professional trustees increasing breadth of services by taking on more governance and secretariat roles on schemes.</p>	<p>TECHNOLOGY</p> <p>Technology investment by a small number of firms in the market is driving efficiency, leveraging professional trustee model.</p>

SOURCE CP analysis, (1) TPR



CORE M&A VALUE DRIVERS

Below are some key areas driving valuation in the pension trustee sector:

		 MULTIPLE	 MULTIPLE	
MARKET DYNAMICS	MARKET OPPORTUNITY	DECLINING	GROWING	Significant regulatory changes have increased demand for trustee services. Current penetrated market is £115m and expected to increase by 9% annually .
	CYCLICALITY	HIGH	LOW	The sector has proven to be recession resilient and the nature of services provides a strong level of recurring revenues, attractive to PE investors.
	COMPETITION	HIGH	LOW	The market is still fragmented with a significant number of smaller providers operating, consolidation is beginning to increase competition.
COMPANY SPECIFIC	REVENUE VISIBILITY	LOW	HIGH	A high level of recurring revenue underpinned by contracts will drive a higher market multiple.
	SERVICE RANGE	LIMITED	EXTENSIVE	The level of resources and knowledge to deliver specialist work .
	CLIENT RELATIONSHIPS	WEAK	STRONG	Low scheme attrition and a demonstrable growth maturity in the existing portfolio of clients.
	STAFF TRAINING AND COMPETENCE	LOW	HIGH	Increased investment in staff and low staff turnover are positive attributes.
	MANAGEMENT TEAM	WEAK	STRONG	A strong second tier management team that can lead the business will be attractive for a financial investor.
	GOVERNANCE & DELIVERY	WEAK	ROBUST	A strong integrated professional services model leveraging resource and knowledge across the organisation.



RECENT TRANSACTIONS

The fragmented nature of the sector suggests the market is rife for consolidation – to the right are some recent transactions.

Livingbridge backed **Broadstone** acquired independent actuarial consulting business **Mitchell Consulting** and independent trustee organisation **2020 Trustees** as part of its buy and build strategy.



NOV 2017

JAN 2018



XPS Pensions Group (formerly Xafinity) acquired the actuarial, investment consulting and administration businesses of **Punter Southall Group**.

Royal London Corporate Pensions, provider of pension consulting services was acquired by **XPS Pensions Group** (formerly Xafinity).



MAR 2019

JUN 2019



Professional trustee firm, **Independent Trustee Services (ITS)** completed a MBO from **Mercer**.

Exponent invested in **Isio**, formerly **KPMG's UK Pensions Advisory Practice**.



MAR 2020

NOV 2020



Ross Trustees, an independent professional trustee and pensions support services business was bought out by **LDC**.

Inflexion Private Equity sold financial consultancy **Lane Clark & Peacock (LCP)** to **Charterhouse**. Inflexion originally backed LCP in 2016.



DEC 2020

JAN 2021



Specialist pensions, trustee and employee benefits solutions firm **Broadstone** was sold by **Livingbridge** to **Intermediate Capital Group**. Livingbridge originally invested in 2016.

Inside Pensions, a independent occupational pension scheme governance support provider was acquired by **Zedra**.



FEB 2021



CONTACT US



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Andy leads Cooper Parry's Corporate Finance business across the Midlands and has over 25 years' M&A experience, the majority at PWC where he was a partner based in the Midlands and then the North West.

His focus is working with entrepreneurs to realise the value they have created in their businesses and with private equity investors.

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TOM SUMMERS Associate Director

Tom has over 5 years' experience working in corporate finance advising on private equity transactions, sales to domestic and overseas buyers and management buy-outs.

Tom is a Chartered Accountant originally training in audit and has a BA in Physics from The University of Oxford.

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SACHIN PARMAR Manager

Sachin has been advising on deals since 2018 and joined the Cooper Parry Corporate Finance team in 2019.

Sachin is a Chartered Accountant and holds a degree in Business Management from the University of Manchester.

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LAURA CLARKE BD Director

Laura leads the Origination Team, organising a series of networking events and topical insight publications for business owners. She keeps a close eye on M&A in our key sectors, to provide useful and timely information.

Laura is a Chartered Accountant, having trained at Deloitte.

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RECENT COOPER PARRY DEAL COMPLETED IN THE SECTOR

"What really impressed us about the team from Cooper Parry is the speed with which they recognised the value in our business and their knowledge of the private equity market. We always thought that Ross Trustees would be an excellent business for private equity investment. Cooper Parry's Corporate Finance team tailored the sale process to cope with the extraordinary conditions of lockdown and worked seamlessly with my management team to deliver a result of which we can all be very proud."

STEVEN ROSS, Founder

ROSS
Trustees