Bridging the Divide: Key Differences Between U.S. and UK/European Asset Management M&A and GP Staking Deals

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Introduction

The asset management industry continues to consolidate globally, driven by a variety of factors, as set out in further detail below. While the U.S. market remains the most mature and active (asset management M&A transactions having proliferated in the U.S. in the early 2000s, with asset manager investment having institutionalised as a distinct strategy/asset class in the last 10 to 15 years due to the establishment of dedicated GP stakes platforms and a growing ecosystem of investors), the UK and broader European landscape is now rapidly evolving.

Of the various drivers contributing to the growth of asset management transactions, this article specifically focuses on the rise of cross-border dealmaking, which has resulted in the need to understand the nuances between U.S. and UK/European asset management M&A and GP stake transaction terms. This article will be published in two parts, with Part One focusing on the market dynamics and acquisition terms, and Part Two focusing on go-forward economics, governance and incentivisation terms.

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Below sets out a short summary of the *typical* asset management M&A acquisition terms in the U.S. and UK/Europe, as the market currently stands for majority acquisitions. There are of course exceptions to these general principles and, for further detail in respect of each of the below, please refer to the remainder of this article.

Term	U.S.	UK/Europe
Valuation Basis	Monetisation of fee-generating AUM	Long-term strategic partnership
Pricing Mechanics	Closing accounts	

Term	U.S.	UK/Europe
Consideration Structure	Deferred consideration and earn-outs, with earn-out milestones driven by up-front valuation methodology/drivers Adjustments for changes in the amount or type of assets under management between a particular reference date and closing Cash or, part cash and part stock offers with part stock consideration more common given the greater number of U.S.-listed managers acting as buyers Put & call option mechanics utilised for purposes of stake upsizing/liquidity for sellers, with option valuation driven by up-front valuation methodology/drivers	Deferred consideration and earn-outs, with earn-out milestones driven by up-front valuation methodology/drivers Cash or, part cash and part share consideration Put & call option mechanics utilised for purposes of stake upsizing/liquidity for sellers, with option valuation driven by up-front valuation methodology/drivers, note additional regulatory approval considerations based on specific % stakeholding thresholds (i.e., 10%, 20%, 30% and 50%, etc.)
Conditionality	Regulatory matters – financial, anti-trust, FINRA Fund and investor consents, as well as client consents if required under the Investment Advisers Act Absence of MAE, warranty bring-down related conditions, covenant compliance conditions	Regulatory matters – financial, anti-trust, foreign direct investment LPAC and lender consents
Regulatory	Investment Advisers Act	AIFMD
Warranties and Indemnities	Fundamental warranties given by sellers and operational warranties given by manager entity Escrow-backed indemnities or R&W insurance Warranties in respect of fund documents, regulatory compliance, client relationships, accuracy of track records, valuation practices, in addition to	Fundamental warranties and operational warranties given by sellers Indemnities or W&I insurance Warranties in respect of fund documents, regulatory compliance, client relationships, accuracy of track records, valuation practices, in addition

Term	U.S.	UK/Europe
	customary employment, IP etc. warranties	to customary employment, IP etc. warranties
R&W/W&I Insurance	Established market exists, although still uncommon particularly on GP stake deals	Less common, although market exists (although rare for GP stake deals)
Seller Restrictive Covenants	1–5 years	1–2 years
Tax and Structuring	U.S. tax considerations for sellers, funds and buyer key Typically smaller ownership bases of target managers, with founder sellers based in the U.S. and therefore less complex tax analysis in this respect	UK/European tax considerations for sellers, funds and buyer key Often more disparate ownership of target manager, with founder sellers potentially straddling multiple tax jurisdictions such that tax structuring is more involved

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State of the Broader Asset Management M&A Market

Looking at the broader market context, it is important to first consider what has led to the general growth of asset management transactions. Key drivers include the following:

- a more challenging fundraising environment for small and mid-sized managers over the last few years—this has been a result of both investor consolidation with more established managers, and a backlog of unsold investments often due to valuation divergences between buyers and sellers (whether as a result of an uncertain economic outlook, higher financing costs or potential AI disruption particularly in connection with businesses that previously commanded extremely high valuations), and therefore an inability to deliver liquidity to investors;

- macroeconomic and geopolitical pressures resulting in: (i) increasing cost bases for, particularly, smaller and mid-sized GPs; (ii) increased working capital needs due to less distributed to paid-in capital; (iii) increasing taxes in certain jurisdictions; (iv) inflationary pressure; and (v) more burdensome regulatory policy (e.g., SFDR and ESG frameworks);

- a need for non-disruptive (whether to investors or internally within the GP itself, or both) succession planning and liquidity needs as a result of a large proportion of asset managers with founders reaching retirement age, with limited internal successors;

- technological advancement and the associated capital investment required for significant technology and AI investment in connection with, amongst other matters, origination, research and modelling tasks undertaken by GPs;

- access to new asset classes and expanding AuM, i.e., more traditional asset managers seeking to increase AuM for scale purposes but also seeking to gain expertise in asset classes which generate higher fees, e.g., investment in private credit or infrastructure strategies;

- inter-sector transactions, e.g., (i) asset managers acquiring stakes in insurance companies to leverage insurer general account/balance sheets whilst reducing insurer exposure to financial risk; and (ii) insurance groups with asset managers or in-house asset management teams acquiring asset managers to establish the relevant investment expertise internally, e.g., Legal & General acquiring Proprium Capital Partners, a real estate investment firm;

- the launch of firms dedicated to GP stakes transacting, and a growing realisation of the viability and economies of scale advantages of such transactions; and

- increasing cross-border interest as a means of gaining presence and market share in additional geographies, sectors and strategies where there may be gaps in existing strategy. Whilst the trend is towards the U.S. setting its sights on UK and Europe (a notable example being Nuveen's acquisition of Schroders) given the potentially competitive valuations (e.g., traditional fee compression in respect of both active and passive funds in the competitive UK markets can make for more attractive valuations for buyers), there have been a number of notable UK/European deals in the recent past. Two examples being: EQT's acquisition of UK-based Coller Capital to leverage its private credit solutions strategy and CVC Capital Partner's acquisition of Glendower Capital, a specialist in private equity secondaries.

Cross-Border Asset Management M&A Growth

Whereas a significant proportion of U.S. private equity sponsors already have a third-party investor in their capital structure, there remains a large pool of potential global targets. In a recent survey of senior private equity executives based across North

America, Europe and APAC, over three-quarters indicated they intend to sell a stake in their business in the next 24 months.[1]

Accordingly, with asset management deal volume generally rising, transatlantic activity in particular is expected to accelerate over the next five years.[2] Between 2023 and 2024 alone, U.S. acquisitions of UK and European firms in the financial services sector rose approximately 35%, with transactions such as Franklin Templeton's acquisition of London-based Apera Asset Management and its approximately EUR 5 billion private credit assets portfolio, making the global headlines.

European managers have, to date, been more cautious of asset management transactions, contributing to slower market penetration compared to the U.S., where these transactions can often be characterised as purely financial. This has left the UK/European market relatively underinvested in this respect, and therefore increasingly attractive for cross-border investment activity. U.S. players may look to UK/Europe to acquire assets at a potentially reasonable value as compared to domestic targets—a reasonable valuation being a product of (i) a more fragmented and diverse legal and regulatory landscape in Europe for financial investors, as against the more singular U.S. economy, and (ii) recent market volatility in the U.S., as compared to UK/Europe, due to geopolitical factors. U.S. investors may seek to diversify into UK/Europe, which has its own challenges as a market in which to deploy capital without on-the-ground local expertise.

Despite recent dollar exchange rate fluctuations against the sterling and euro, given a large proportion of management and performance fees are determined and denominated in dollars, it is to be determined whether this will have any material impact on the speed and volume of cross-border transacting in the near term, particularly in respect of non-dollar denominated funds.

In any event, stakeholders on both sides of the pond must navigate not only structural and regulatory differences but also cultural and commercial drivers that will shape cross-border asset management and GP staking deal terms.

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1 https://www.privateequitywire.co.uk/private-equity-firms-adapting-to-challenging-market-environments-says-new-dechert-report/.

2 https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/technical/financial-services/documents/ey-gl-2025-european-fs-mergers-and-acquisitions-trends-04-2025.pdf.

Diverging Market Dynamics

U.S.

The U.S. asset management M&A market has generally been characterised by scale, speed and private equity-driven consolidation. Large sponsors pursue platform plays, seeking to aggregate and monetise fee-generating AuM, diversify product offerings and outcompete smaller players. An Oliver Wyman and Morgan Stanley report expects that, by the end of 2029, up to 20% of existing firms managing at least USD 1 billion of assets will be acquired by these larger sponsors.[3] This aligns with the state of play of fundraising in the private markets over the last few years, where a greater proportion of capital has been raised by a smaller number of mega funds (albeit at a slower pace than previously), as investors choose to consolidate and expand their relationships with fewer managers.

Valuations of these assets in the U.S. are often underpinned by adjusted EBITDA and recurring fee income/fee-generating AuM, with a strong emphasis on scalability (high growth but potentially high risk), net revenue retention and performance fee potential, and sit within the backdrop of a broad, large market delivering greater liquidity options and also greater competition for assets.

UK and Europe

In contrast, UK and European buyers have typically prioritised (i) long-term, strategic partnerships focused on investment for strategy expansion (e.g., M&G's acquisition of a majority stake in P Capital Partners, a leading European private credit business); (ii) support for further organic growth (e.g., access to the buyer's LP network for the target's future fundraising); and (iii) assistance with the transition/succession planning phase of the asset manager.

However, valuations in Europe are typically more conservative (a trend which aligns with the trading of public market securities in UK/Europe vs U.S.), often reflecting a smaller, more fragmented market which can include a greater mix of retail clients, jurisdiction-specific macroeconomic headwinds and regulatory burdens. Regulatory burdens in particular may be a potential growth drag, given stricter and standardised Assessment of Value (AoV) requirements, i.e., a requirement of the Financial Conduct Authority (FCA) for all UK-domiciled funds, where authorised fund managers evaluate if their funds provide fair value to investors such that charges are justified by performance, services and economies of scale. AUM and fee generation are therefore considered not just with the lens of scalability but also for quality: client concentration,

[3] https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2025/October/oliver-wyman-morgan-stanley-global-wealth-and-asset-management-2025-edition.pdf.

retention and stability are key, such that diligence scrutiny is focused on contractual terms of investment management agreements, side letters and so forth (duration of contracts, fee discounts, termination and change of control provisions, and any discretionary vs advisory fee splits).

Pricing and Consideration

Despite the potentially differing approaches to valuations, pricing mechanics with respect to asset management deals involving a secondary component tend to be more aligned. While locked box structures are common in traditional UK/European management buyout deals, asset management transactions on both sides of the Atlantic typically favour closing accounts. This reflects pricing based on:

- inherently volatile AuM-linked revenue, where a slice of existing or go-forward performance fees (in addition to management fees) are being acquired;
- in the UK and Europe, fluctuating regulatory capital requirements as a result of fluctuating AuM value, in connection with which buyer and target alike will need to avoid any undercapitalisation risk; and
- complex balance sheets, particularly in transaction structures which may involve handling complex carve-outs from the target, e.g., where a buyer is only acquiring a specific division or strategy of the asset management business,

such that constructing a reliable "locked box" balance sheet may not be feasible. Closing accounts generally provide more economic certainty in an asset management business which has complex structures in place—where value can be extracted from the target in many ways prior to closing, or clients can terminate their advisory agreements as a result of "assignment," as against relying on a "no leakage" covenant and indemnity typical of a locked box deal.

In addition to post-closing true-ups, use of deferred consideration and earn-outs are generally common across the board for similar reasons as noted above. Earn-out structures are most often tied to growth metrics like AuM, EBITDA, fee income or fund closings. These mechanisms align incentives and bridge valuation gaps, particularly in founder-led firms where succession is a key driver. UK/European deals may include conditions to payment of deferred consideration which are tied to broader regulatory compliance, strategy launches, client retention and other AoV type outcomes—reflecting the more cautious and strategic approach of these transactions and to align with the up-front consideration valuation methodology. In addition to financial metric

triggers, the structure of any earn-out will need to be considered in light of jurisdiction specific tax implications. For example, parties typically need to be cognisant of tying earn-out payments to selling management/employee retention or individual performance, given potential income recharacterisation risks.

Put & Call Option Mechanics

In transactions which are not a one hundred percent acquisition, as an alternative (or an addition) to an earn-out construct, put and call mechanics are often used for purposes of upsizing a buyer's stake, providing additional liquidity to sell and mitigating up-front valuation risk. The seller(s) would have an option to "put" their shares to the buyer (i.e., force the buyer to acquire such shares), and the buyers would have an option to "call" the sellers' shares (i.e., force them to sell such shares). These put and call mechanics may be spread over a multi-year investment horizon (e.g., at specified intervals, the buyer/sellers may be able to put/call a certain percentage of the sellers remaining shares in the target). This also operates as a means for founders to incrementally transition away from the business and gain liquidity over a longer period, in an ordinary fashion and without alarming investors.

A pricing methodology for each incremental stake would need to be determined at the outset (as well as appropriate mechanics for upwards and downwards adjustments, floors and caps where relevant to reflect value of the put/call shares at the relevant time). Any upsizing must also be considered with the backdrop of the applicable regulatory landscape. In the UK (and many European jurisdictions) key thresholds for FCA change-of-control filings are triggered at stake sizes of 10%, 20%, 30% and 50% and analyses around an investor having "significant influence" over the regulated entity. On the other hand, the U.S. has a more holistic assessment of control (although voting ownership above 25% creates a presumption of control), and there may be "assignment" considerations under the Investment Advisers Act, which would need to be considered when determining if filings need to be made with relevant regulators or if client consent is required at various ownership step-up thresholds.

Transaction Structuring

Alternative asset managers are more broadly owned in the UK and Europe compared to the U.S., where one or two founders of a mid-market firm are quite common, such that broader transaction structuring in the UK and Europe is more involved and may require multiple tax jurisdictions of sellers to be considered—a key area of focus given no

founder will want any change to the upper tier fund structure to result in additional or accelerated taxes.

Relatedly, transactions which are structured not just as cash offers but part cash, part equity in the buyer entity require the following considerations: (i) seller tax deferred reinvestment/rollover requirements (if applicable, and noting that tax requirements in this regard differ across UK and Europe such that multiple structuring solutions may be required), and (ii) structuring for the holding of buyer securities in a tax efficient manner. These matters come with the same tax efficiency considerations as with a typical cross-border management buyout, with the added complexity of these structures being put in place in connection with performance fees that are already accruing (but have not yet crystallised and should not "reset" as a result of the transaction) and for much longer hold periods (particularly in the case of partnership-type deals). Ultimately, a far greater amount of long-term future return to the sellers/founders and team is derived from the structures put in place at the outset of such a deal.

Given that a greater number of U.S. managers are publicly listed, there is also a greater likelihood of consideration being in the form of part cash and part equity, where sellers are issued listed stock in the acquiring manager entity.

Accordingly, while Day One structuring is key, structuring mechanics which are utilised to support go-forward commercial expectations around ownership, economics, incentives and governance are common components of asset management deals.

Conditionality, Regulatory Considerations and Transaction Timing

In terms of conditionality and execution timing more generally, U.S. asset management transactions tend to mirror traditional private equity deals, often involving broader closing conditions, such as the absence of material adverse effect clauses, bring-down of representations and warranties and compliance with certain covenants/undertakings by buyer and seller. U.S. transactions may also be conditioned on a specified threshold of client consents having been obtained. By contrast, UK and European deals are typically more streamlined, with conditions largely limited to regulatory (financial regulatory, anti-trust, FDI) change-of-control filings, lender approvals and advisory client consents, although there are instances where these concepts have been ported across (where buyer is U.S.-based) despite being unusual even in a non-asset management deal-making context. As with traditional buyout transactions, qualified efforts standards and negotiated remedies remain typical when drafting condition provisions in UK/European asset management deals.

Ultimately, given the often greater complexity of European structures as a result of broader ownership bases, acquisition of a European manager may require more intricate deal mechanics, regulatory filings and stakeholder alignment pre-close—all of which ultimately impact deal execution timing.

Cross-border deals also introduce post-closing regulatory friction: dual reporting, divergent disclosure norms (e.g., AIFMD II vs U.S. standards) and often times inconsistent investor protection frameworks. As part of these transactions, U.S. buyers may not be able to fully integrate U.S. and non-U.S. operational and compliance procedures and may seek to centralise investment decision-making in lower-cost jurisdictions, while maintaining EU compliance for local clients. Understanding these dynamics is critical, not just for structuring but for anticipating post-deal integration challenges.

Warranties, Indemnities and Insurance

In U.S. deals, typically representations and warranties are given by the sellers in the case of fundamental warranties and the manager itself in the case of operational warranties (though this is often structure-dependent), whereas per traditional M&A deals, warranties are given by the sellers in the case of fundamental warranties and management in the case of operational warranties in UK/Europe. However, R&W/W&I insurance is well suited for these transactions so that buyers do not need to seek recover against individual sellers who may also be continuing employees. Deals can include specific indemnities, with the use of escrows being more common in the U.S. unlike in the UK and Europe. In the event of a majority (but not full) buyout, mechanics may be included whereby buyer indemnity claims are set off against future rights to income streams (including earn-outs and/or any deferred consideration) or clawed back from future distributions to the indemnifying party.

Whilst categories of business warranties may align with traditional M&A deals, there is much greater focus on warranties across the board in connection with fund document and regulatory compliance, client relationships (termination rights, disclosure of all fee arrangements, MFNs), accuracy of track records and regulatory filings, regulatory breaches and valuation practices. These warranties require jurisdiction specific tailoring.

Note that whilst R&W/W&I insurance is used from time to time in majority and full buyout deals (and there is certainly a market to underwrite these deals in both U.S. and UK/Europe), in our experience, the market for insurance for GP staking deals is still at its early stages—often the cost of the premiums are perceived to not be justified by the size of the equity check being written for a minority stake. Additionally, the very nature

of majority deals is one of a long-term partnership, i.e., a relationship dynamic where allocating risk to a third-party insurer, rather than between buyer and seller may be beneficial. For further information in respect of representation and warranty insurance in GP staking transactions, please refer to this article.

Restrictive Covenants

In terms of seller restrictive covenants, tail periods of one to five years in U.S. transactions may be feasible; however, time periods over two years would likely face enforceability challenges in the UK and many European jurisdictions. Accordingly, we expect general M&A restrictive covenant periods to be the norm (being, a period of 12 to 24 months) in UK/Europe asset management deals.

On the other hand, tail periods should be considered carefully in connection with restrictive covenants which are to apply on a go-forward basis under the equity documents. Whilst negotiating a longer restrictive covenant period for founders and investment professionals (including those who may receive carry in the future) may appear to be an up-front "win" for an incoming investor, such covenants should be carefully tailored. This is important not only from a legal enforceability perspective but also to ensure the business can continue to attract talent in a competitive market. In particular, where hiring senior deal professionals is critical to launching new strategies or products, overly broad and burdensome restrictions may undermine those efforts by limiting the company's ability to recruit top talent, thereby increasing the risk of an unsuccessful launch.

Tax: Diligence and Navigating Complexity Across Jurisdictions

Tax considerations in asset management M&A transactions can be pivotal—particularly in cross-border deals. As noted, European transactions tend to require more complex tax analysis due to the multi-jurisdictional nature of ownership and operations. Managers and investors are frequently subject to different tax rules, necessitating separate entities and bespoke structuring considerations. For example, in connection with governance/board substance requirements where target tax substance is in a particular jurisdiction, but buyer's management team who are to sit on the target board alongside existing founders/managers post-completion are in a separate tax jurisdiction, this may inadvertently skew tax jurisdiction, unless board composition and location of board meetings are thought through carefully.

Fund domicile and entity choice also diverge between the U.S. and Europe, with direct implications for the taxation of carried interest, fee income and withholding obligations. U.S. structures are more standardised and often prioritise simplicity and tax efficiency for sponsors, whereas European deals must accommodate local regulatory overlays and investor protections, which can complicate the treatment of economics and governance.

A key tension arises between existing founder or management tax planning and the structure proposed by new investors. Unlike traditional management buyouts, where sponsor tax planning typically dominates, asset management deals must respect legacy arrangements—particularly around accrued but undistributed fees from historic funds. Misalignment here can lead to recharacterisation risks or unintended tax leakage.

Tax diligence is therefore critical. Representations, warranties and covenants must be carefully calibrated to address both historical liabilities and future compliance, with local and EU anti-abuse rules adding additional complexity. In larger transactions, global initiatives such as the global minimum tax may also require consideration since, while funds themselves invariably fall outside the rules, portfolio groups may fall within them.

As cross-border activity increases, understanding these tax dynamics and how they differ in U.S. and UK/European markets will be essential to structuring deals that are both commercially viable and tax-resilient.

Looking Ahead: Convergence with Distinction

The U.S. remains the benchmark for asset management M&A and GP stake transactions, with a deeper pool of capital, more established market norms and a higher tolerance for risk. However, as deal activity in the UK and Europe accelerates (fuelled by historic underinvestment founder succession, tech investment needs and more competitive valuations), we have and are likely to continue to see an initial convergence of terms.

However, a wholesale import of U.S. terms is neither likely nor appropriate in the UK and European context in light of (i) the tax, regulatory and general market culture overlay, as well as (ii) the fact that each transaction will need to consider closely the target's LP base, who will have their particular concerns and considerations with respect to how the relevant transaction is likely to impact them from a personnel, investment and returns perspective. Over time, we may see the emergence of a distinct market practice tailored to the European context, borrowing selectively from U.S. precedents

while preserving the principles that underpin long-term client trust and regulatory integrity.

The unique drivers for raising capital or selling an asset manager, the complex structure economics and tax planning of the targets in question and ever-shifting market dynamics mean that asset management transactions and GP staking deals do not always lend themselves to "cookie cutter" terms. For advisors, investors and principals alike, understanding the nuances and broader context of these transactions across the Atlantic are key to ensuring that both buyer and seller get the terms which are best for them relative to the particular complexities of the asset in question. As cross-border asset management M&A becomes more common, fluency in both markets and the ability to translate between them will be a key differentiator.

In part two of this series, we will focus on these cross-border differences in asset management M&A as they relate to the investment terms that govern go-forward economics, governance rights and team incentivisation.

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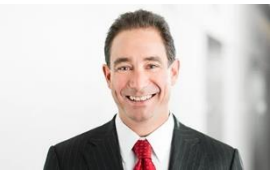

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