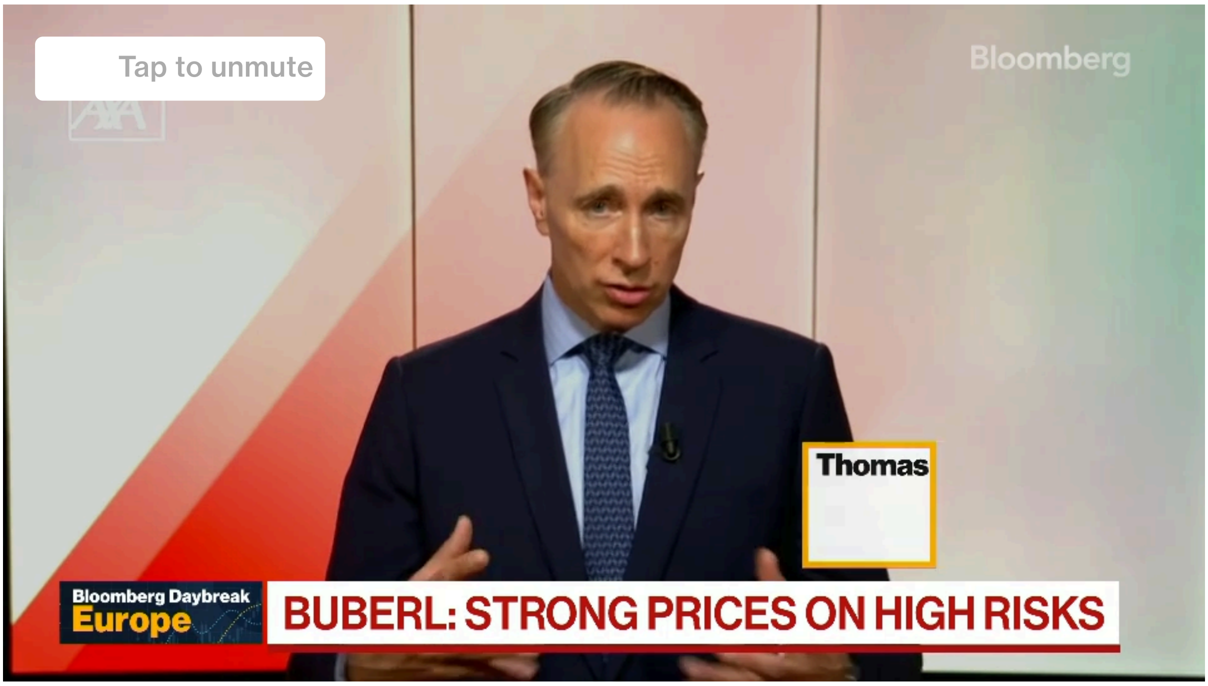
Business

BNP in Talks to Buy Axa Investment Managers in €5.1 Billion Deal

- Combined entity will oversee about €1.5 trillion in assets
- Axa to carry out €3.8 billion buyback after 2025 close



WATCH: "We have been looking for a partner that is like minded and with whom we can create a strong European asset manager in order to really serve our growth ambitions well to the future," Buberl tells Bloomberg. *Source: Bloomberg*

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BNP Paribas SA's Jean-Laurent Bonnafe built a reputation as reluctant dealmaker in more than 12 years at the helm. Now he's willing to bet €5.1 billion ($5.5 billion) that demand for alternative assets will continue to increase.

In his biggest purchase as chief executive officer of the French lender, Bonnafe agreed to buy Axa SA's asset management unit to create one of Europe's largest money managers, with roughly €1.5 trillion in assets overseen. A good chunk will be in popular and usually more lucrative markets such as private credit, infrastructure and real estate, where Axa adds more than €200 billion.

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The deal will “position BNP Paribas as a leading European player in long-term asset management,” with “critical size in public and alternative assets,” Bonnafe said in a statement. Bloomberg last month reported that the two firms were in talks for a potential tie-up of their asset management units.

The purchase is the biggest yet for the BNP CEO, who until now shied away from big takeovers, deciding instead to return excess cash to shareholders after selling US lender Bank of the West for $16.3 billion last year. The proposed deal would allow BNP to challenge Europe’s No. 1, Amundi SA, although it would still be dwarfed by US firms such as BlackRock Inc. or Vanguard Group Inc.

Investment firms across the globe are looking to consolidate, with many seen as too small in a business where the move toward passive products has fueled a price war. Europe’s largest asset manager Amundi SA has been buying rivals to increase scale while Goldman Sachs Group Inc. in 2021 bought the asset management arm of Dutch insurer NN Group NV.

Alternative assets have provided a haven, because markets for such assets tend to be less transparent and can’t be tracked as easily by low-cost passive funds. That’s making it easier for money managers to outperform and allows them to charge higher fees.

Private markets are the fastest-growing part of asset management, with alternative assets overall expected to reach nearly $40 trillion by the end of the decade, according to BlackRock. The US company this year agreed to buy private capital database provider Preqin. In January, it announced a deal to acquire Global Infrastructure Partners to further expand its offerings beyond primarily stocks and bonds.

At BNP, only 8% of the €576 billion under management at its investment arm were in alternatives or other non-traditional asset as of June. At Axa, that share is more than 25%, with €227 billion in alternatives. A majority of the assets, however, that BNP is acquiring are managed for Axa’s insurance business.

The two firms also agreed to enter into a 15-year strategic partnership under which BNP Paribas will provide investment management services to Axa. Both sides expect to sign the takeover agreement by the end of the year after consultation with the employees’ representatives.

> **What Bloomberg Intelligence Says**
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> The €5.1 billion sale of Axa Investment Managers to BNP Paribas gives Axa a useful slug of cash and a €2.2-billion capital gain. Yet Axa is giving up a business that in the recent past has been something of a success story with its alternative asset platform, and asset management is a core skill for any large life and savings company.
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> Charles Graham and Kevin Ryan, BI analysts
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> Axa May Yet Come to Regret Axa Investment Managers Sale: React

For Axa, a sub-scale asset manager couldn’t support its growth ambitions in the life and savings area, CEO Thomas Buberl said in a Bloomberg TV interview on Friday.

“Is it big enough to really serve our needs? The answer is clearly no,” Buberl said. “Therefore, we have been looking for a partner that is like-minded.”

Axa said in a separate statement that it would carry out a share buyback of €3.8 billion immediately following the closing of the proposed transaction, which is expected in mid-2025. The insurer will exit the asset management business with the deal.
– With assistance from Vidya N Root and Joumanna Bercetche