



## CIBC Completes Acquisition of Atlantic Trust Private Wealth Management

### Description

Atlantic Trust is a U.S. based private wealth management firm that provides wealth management for high-net-worth clients, foundations and endowments. CIBC paid U.S. \$210 million for Atlantic Trust, which manages approximately \$24 billion in assets. This acquisition is positive for CIBC for the following reasons:

#### **Greater geographic diversification as CIBC re-enters the U.S.**

Atlantic Trust represents CIBC's return to the US after it retreated several years ago after suffering several big losses. As a result, CIBC is heavily focused on Canada. The bank's entry into the highly lucrative U.S. private wealth market reduces its exposure to the Canadian market, and effectively provides it with greater diversification.

Going forward, I would expect that CIBC will look for more such deals, as this acquisition can be used as a growth platform for the bank to expand into the U.S. high net worth wealth management industry.

#### **Greater exposure to growing wealth management segment**

The wealth management business is very profitable with low capital investment required, and lower volatility and losses. Furthermore, growth rates in the segment are expected to be strong going forward as the aging population (baby boomers) are driving demand for wealth management services. This acquisition is a relatively small, low risk one that is consistent with CIBC's strategy of increasing earnings from the wealth management segment to 15% of net income. In 2013, the wealth management segment represented just over 11% of CIBC's earnings, and in 2012, it represented just over 10%.

#### **Lowers exposure to the heavily indebted consumer**

CIBC's retail and business banking segment represented 69% of net income in 2013. And this segment is comprised mostly of earnings from Canada. It's comforting to me that the bank is attempting to lower its exposure to the Canadian consumer, given the fact that debt levels for the Canadian consumer continue to be very high and worrisome.

### **Bottom Line**

The Atlantic Trust acquisition is positive on many levels. It's consistent with CIBC's strategy of pursuing lower risk and lower volatility growth, and it's a step toward diversifying away from Canada. While the market may be worried that CIBC will go back to its old ways of chasing high risk, high reward businesses, management has re-iterated their intention to continue to be prudent and pursue lower risk opportunities.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

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