CASE STUDY

INDEPENDENCE

SILVERCREST
ASSET MANAGEMENT GROUP

KEY INSIGHT

"When it comes to starting and growing a new entity, operating capital is important but also ubiquitous. It's critical to avoid fatal missteps and gain leverage by accessing the knowledge and relationships of a partner that's done it before."

– Brad Mook, Rosemont Managing Director

From time to time, the leaders of an investment franchise within a larger organization seek to separate from their parent company. There can be a variety of reasons for this: perhaps the parent organization is overbearing, a high-potential business finds itself chronically under-resourced, a highly successful team is being under-compensated, or the parent has decided the business is non-strategic. With appropriate leadership and capital and the loyalty of both team members and clients, a spinout can be a viable option.

A spinout occurs when a business unit peels off from a larger company to form a new standalone entity. The unit's leaders may have tried—unsuccessfully—to negotiate a structured exit from the parent, and subsequently decided to walk out and start a new firm (without assurance that clients and revenue will follow). Spinouts are inherently riskier than negotiated buyouts because there is no safety net, but if executed well they can put you in control of your destiny and create significant equity value.

One such successful spinout is Silvercrest Asset Management Group. Founded 20 years ago by ex-DLJ Asset Management Group executives with backing from Rosemont, Silvercrest has grown into a publicly traded wealth management firm advising on more than $31 billion in client assets. In 2001, senior executives who were running DLJ's wealth management business—

OBJECTIVES

Provide capital and strategic insight to successfully recreate an embedded business franchise as a standalone entity

RESULTS

- Reached $8 billion in assets in six years
- Successful transition of ownership and realization of founders' vision to go public

ROSEMONT

and who were consumed as part of Credit Suisse's 2000 acquisition of DLJ—became disillusioned and left CSAM to start their own firm. Rosemont provided capital, guidance and introductions to help Silvercrest land on its feet, and the firm quickly grew to $8 billion in assets and 84 employees by 2007 when Rosemont sold its stake to Vulcan Capital, the personal holding company of Microsoft co-founder Paul Allen. Silvercrest continued to grow from there and went public in 2013.

BACKGROUND

Silvercrest's founders, Moffett Cochran and Martin Jaffe, were the Chairman & CEO and Chief Operating Officer of DLJ Asset Management Group prior to DLJ's acquisition by Credit Suisse Group in 2000. The Credit Suisse culture was a complete mismatch for DLJ's entrepreneurial spirit, and wealth management was a peripheral concern given other strategic priorities driving the deal. While Cochran and Jaffe were given senior roles at Credit Suisse Asset Management, they never wanted to be part of it and immediately began looking for a better solution.

Cochran and Jaffe turned to Rosemont for help spinning out their operation. They knew Rosemont could provide capital, but also wanted to leverage our experience and insight with other similar transitions and growth opportunities. Knowing Rosemont had invested in and consulted to dozens of spinouts and startups—including some of the industry's most well-known and well-respected firms—gave them confidence in the face of considerable risk and uncertainty.

A SUCCESSFUL PARTNERSHIP

Silvercrest's founders had a vision for the business and the entrepreneurial DNA to take the leap. Rosemont provided initial funding for the new company and the strategic expertise behind setting up the firm, adopting best practices and avoiding unanticipated pitfalls. Silvercrest was able to thoughtfully design and build its business to offer a combination of both traditional and alternative asset management and focused family office services, allowing it to leverage its relationships with ultra-high net worth clientele and select institutional investors and get off the ground quickly.

Importantly, Rosemont's deep network was also a significant contributor to the firm in its early days. Rosemont's network helped deliver more than $2 billion of the firm's first $8 billion in assets under management, which provided a meaningful boost at a critical time.

Eventually, at an appropriate time, and at management's exhortation, Rosemont sold its stake to Vulcan. Silvercrest's success spinning out from CSAM was done from a position of strength and made it an attractive investment candidate, and the company was able to find a desirable follow-on partner without much difficulty.

THE RESULTS

Over the course of its partnership with Rosemont, Silvercrest grew to $8 billion under management, with $2 billion attributable to our support. Our strategic guidance across the operational and service areas of the firm helped Silvercrest to scale without sacrificing profitability or client service.

After our exit in 2007 and handoff to Vulcan, the company continued to grow and eventually went public in 2013, fulfilling the original vision of the company's founders. As of mid-2021, the company remained a highly regarded hybrid-architecture wealth management and institutional advisory firm with more than $30 billion in assets under management, and is generally regarded as one of the marquee industry spinouts of the last 25 years.

For more about Silvercrest, please listen to our interview with Silvercrest CEO Rick Hough on our Global Investment Leaders podcast.

ROSEMONT