



A PIVOTAL YEAR FOR ODYSSEY

## **2006 may turn out to be a pivotal year for Odyssey Asset Management Systems, the Luxembourg based wealth management IT provider founded by Antoine Duchateau in 1995.**

**E**arlier this year Odyssey acquired a new shareholder in the form of the French arm of Apax Partners, a venture capital firm. It also expanded its capital base to provide the basis for further expansion.

'We were required to find a new shareholder following the decision of Banque Cantonale Vaudoise (BCV) to reduce its venture capital activities following a change in strategy,' Mr Duchateau told Wealth Management. 'And this led to Apax France acquiring BCV's shares as well as injecting additional capital into the firm.'

According to Mr Duchateau, Odyssey's chairman and biggest shareholder, Apax is now the firm's second biggest shareholder. In addition to acquiring BCV's stake in the company, Apax injected new capital and now holds around 18 percent of Odyssey's equity.

Some readers may think that Odyssey has struck a deal with the corporate world's equivalent of the devil. After all private equity firms are often perceived as institutions that have relatively short time horizons. Rigorous financial targets coupled with pre-defined exit strategies tend to be the rules of the game.

Mr Duchateau insists that this is not the case with Apax. 'The firm has made a long term commitment to Odyssey,' he said. 'This is no short-term fix'.

This stems from the fact that, like Odyssey, Apax is very bullish about the wealth management sector, especially when it comes to IT spend. Moreover, Odyssey should be well placed to benefit from the increased willingness of wealth management firms to spend more on IT, especially in the United States, a market in which Odyssey hopes to both broaden and deepen its footprint over the medium-term.

'We are very well positioned to benefit from the changes currently affecting the US market,' continued Mr Duchateau. 'The US market is moving away from the broker-dealer model with its emphasis on a very restricted range of asset classes and products to a more holistic model embracing a plethora of asset classes, products, and services. This is arguably much nearer to the European wealth management model and something which Odyssey's wealth systems have been specifically designed to address.'

The backing of Apax will enable Odyssey to expand its US activities, where it currently has around 20 people, along with existing strategic partners such as NorthStar.

But Odyssey has much bigger growth ambitions and may make acquisitions to secure this end. 'So far the emphasis has tended to be on organic growth, although we have made the odd acquisition,' said Mr Duchateau. 'However there are limits to what can be achieved through reliance on organic growth.'

The firm is also keen to expand its presence in Emerging Europe, which it considers to offer very good business

prospects. Indeed, earlier this year the firm signed its first Russian client. And Japan also looks increasingly interesting now that the country appears to have emerged from the so-called lost decade of the 1990s and rich clients recover their appetite for risk and higher yielding assets.

Odyssey may also expand its product range as well as its geographical operations. 'There are a number of areas that look extremely promising,' Mr Duchateau continued. 'So far we have tended to focus very much on the integration of mid and front office functions. It is now clear that the market will require even 'more' front office functions such as sales lead and prospect management. Wealth management firms have often been notoriously reactive rather than pro-active at acquiring new clients.' Indeed, from this author's perspective, they have often appeared to make little use of modern data driven marketing techniques.

This is beginning to change, however, as professional marketers infiltrate the business development departments of wealth management firms, especially in the United States. The perception that the so-called 'core' or 'mass affluent' offers rich rewards to wealth management firms has also excited the interest of marketing and business development departments. And this is creating a demand for the tools necessary to identify potential recruits and service them properly.

Slowly but surely the marketing departments of wealth management firms are getting to grips with concepts like market segmentation. But the ability to segment the market and, more importantly, really to get to know the needs and requirements of each segment, often makes considerable demands of databases and database management.

But it is not just client acquisition that is beginning to have an impact on the data and IT needs of wealth management firms.

'Increased competition for clients has a very important follow-on effect,' said Mr Duchateau. 'Clients are becoming more fickle and are increasingly willing to change their wealth managers. As a consequence wealth managers will have to devote considerable effort to managing their client-bases more rigorously, especially from the service standpoint. Once again data and database management can play a critical role in this respect. And we may be in a good position to help firms.'

In the meantime there is plenty to interest Odyssey. The firm expects to grow at around 20 percent per annum over the next two years, which should have a significant effect on both turnover and profitability.