Inside the Deal M&A Newsletter

Q2 2023

A Brief Note from the Team

We are pleased to share with you the tenth edition of our quarterly newsletter, Inside the Deal!

As always, Dynasty Financial Partners aims to educate our clients and readers on the key trends we are seeing in Wealth Management M&A. We hope to provide you with specific insights into deals and deal structures, answer important questions raised from our readers, and most importantly, empower our network to have the confidence to be successful in their chosen M&A strategy.

For our tenth issue, we reflect on the first half of dealmaking in 2023. While 2021 and 2022 were typified by robust M&A growth, 2023 would be best characterized by M&A resilience given a short lived regional banking crisis and rising interest rates. We do not foresee the M&A market changing anytime soon, despite the fear inducing headlines seen over the past two quarters. By all accounts, deal multiples continue to be healthy, and capital continues to flow into the space. This has created sustained buyer sentiment (many of whom continue to have access to a significant amount of capital) and will continue to create attractive opportunities on both the buy-side and sell-side alike.

We would like to hear from you! Please email us at DIB@dynastyfp.com. Let us know what you would like us to explore in upcoming issues and how we can better serve our network so you can pursue and close more M&A deals with confidence!

As always, everything you share with us will be held in the highest degree of confidentiality and discretion.

Kind regards,

Harris Baltch
Head of Investment Banking

Market Review

Since our last newsletter, so much has changed in the world, while also remaining very much the same. Interest rates have now stagnated, though only after experiencing a rise to levels not seen since 2007. The wealth management sector is still feeling the aftereffects of the regional banking crisis, particularly for the two major players, SVB and FRB, who were strong players in the wealth management M&A market. However, neither has seemingly shaken buyer or seller sentiment.

In contrast, for RIA M&A activity, very little has changed: demand to acquire RIAs continues to surge and valuations remain at elevated levels, reportedly hitting 9.0x EBITDA according to Fidelity. Q2 2023 certainty came down slightly from the highs of Q1 but was relatively evenly dispersed as we enter the summer doldrums. But the same question remains at the conclusion: Can M&A continue at the same feverish pace for the rest of the year?

This section ended both 2021 and 2022 with the open question of whether the next year's M&A deal volume could surpass the all-time highs seen the prior year, much less if it could sustain the multi-year acceleration. When taking a step back to assess the 2023 M&A market thus far, the primary takeaway is…less of a WOW now, but a confident vote from us that it can maintain the new normal.

The end result was that Q2 2023 continues what we might now call the 'new normal' in M&A deal announcements, hitting 64 total deals (-9% over 2Q 2022) and 270 LTM. Despite continued worry about the bottom falling out of the M&A deal market), Q2's total deal count was good for a 9th all-time quarterly high. Noticeable too was the continued recapitalization of aggregators and the higher median seller AUM deal size, both up from the prior quarter, which led the total AUM transacted to be far higher than any of the last few quarters.

To summarize the first half of 2023, we believe it is safe to say from a pure number's standpoint, the RIA market's worries regarding valuation multiples crashing and deal volume cratering has not panned out in the slightest.

So, as we look to the second half of 2023, the primary considerations regarding the general health of the M&A market are threefold:

Market Review

1. Will the leverage levels of serial buyers challenge their ability to continue making acquisitions at the current pace?

2. How will the Fed's sustained rate increases affect the buyers who have turbocharged the RIA M&A market?

3. Will new buyers continue to enter the market, and at what pace?

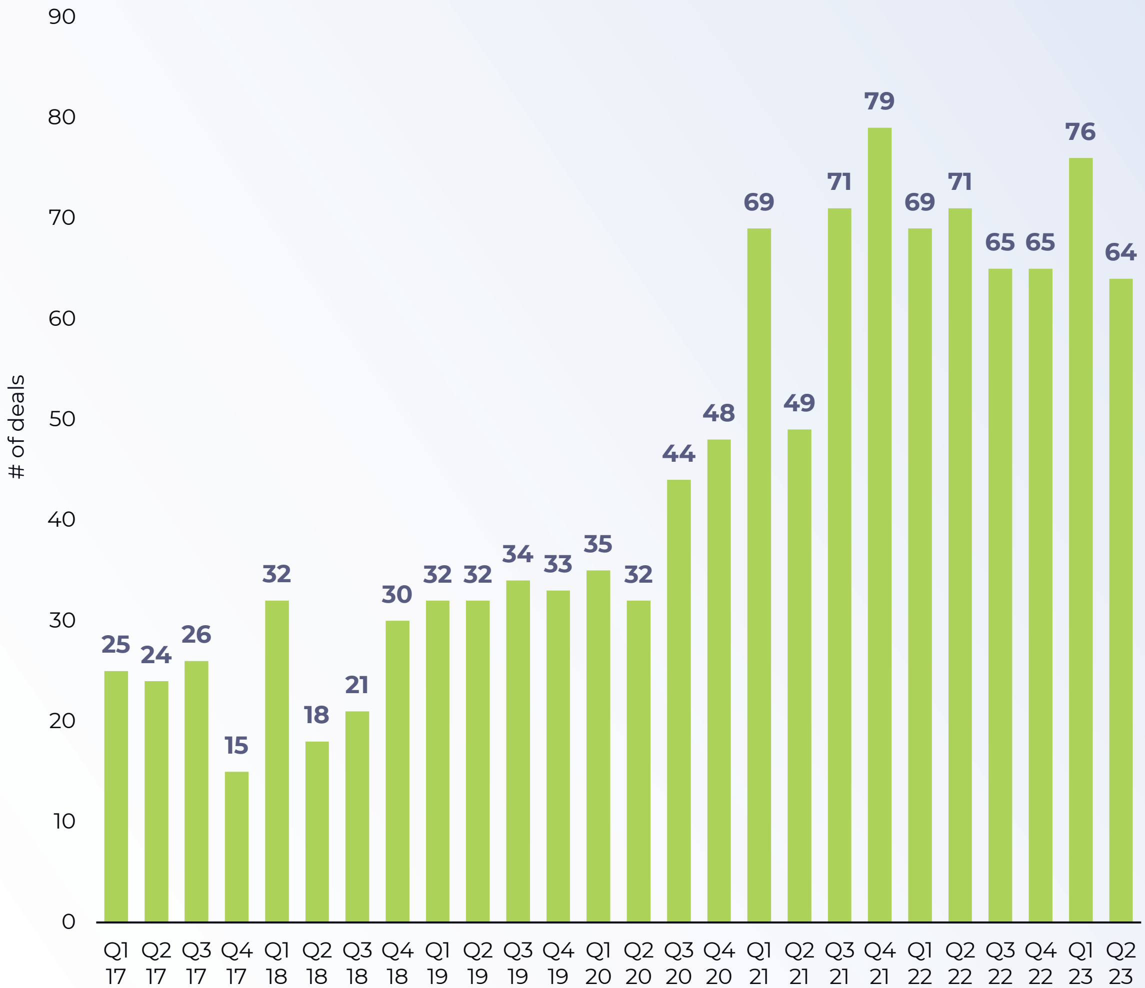
The answer to these three questions will not be fully known until 2023 comes to a close, but our hypothesis is the overall health of the market will remain robust. Strong, but not nearly as expansive as in years past. To date, this has been prescient.

We project that 2023 will be more like 2022 and less like 2021 in that we now have a consistent and more mature class of buyers, with many firms who have recapitalized and set their sights on new inorganic growth initiatives.

This resilience of the M&A market is primarily due to the story remaining the same: the long-term drivers of outsized RIA deal volume is driven by advisor succession needs over the long term, the increasing RIA scale, breadth and depth needed to compete, and new private equity and insurance backed buyers entering the market to drive growth through consolidation.

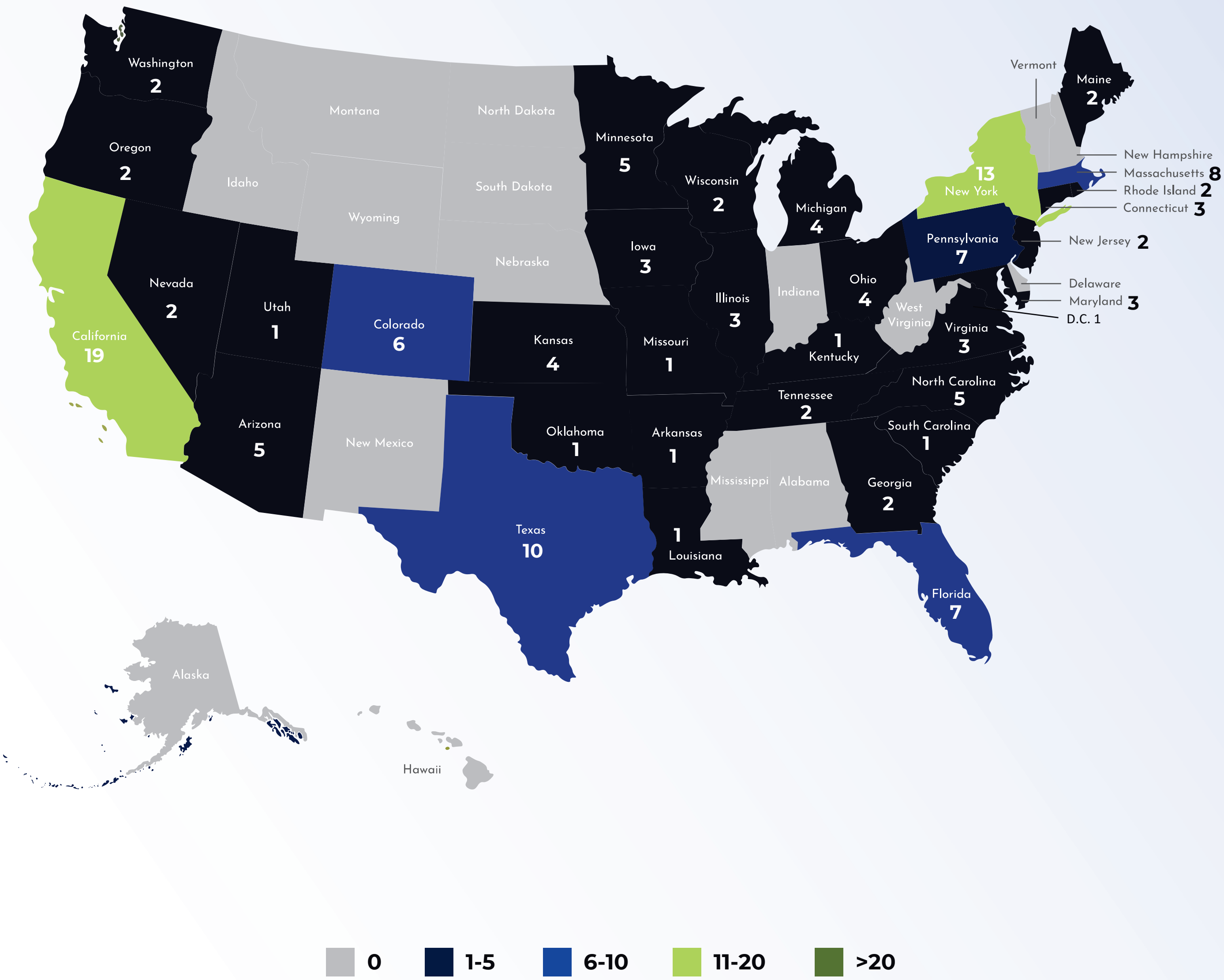
With no signs of expected deal volume appreciably slowing down in 2023, we would not be surprised to see another attempt at an all-time record year of RIA M&A for another straight year!

RIA M&A Deal Volume Q2 2023



Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

2023 National Deal Data Breakdown



Q2 2023 Key Themes

1. M&A Spotlight
2. Can New Custodians Be a Threat to the Big 3?
3. Failed Bank M&A Resulting In Advisor Attrition
4. Changing of the Guard? RIA Management Moves
5. Public Market Update and Notable Deals
6. PE Continues To Be Resilient in RIA M&A

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

M&A Spotlight

Investment Management of Virginia

On May 15, 2023, Investment Management of Virginia ("IMVA"), a $580mm RIA located in Richmond, VA that provides professional money management services to high-net-worth individuals, foundations, and institutions, announced its merger with Pinnacle Associates ("Pinnacle"), a $6.5bn RIA headquartered in New York, NY, that delivers investment advisory services to institutions and affluent individuals.

The transaction served as a long-term succession plan for IMVA's CEO and Founder Jack Bocock while allowing for a continuity of client service and providing a long-term solution for the clients and employees of IMVA. The combined entity will have over $7.0bn in combined AUM and will enable specialty IMVA portfolios to be utilized by current Pinnacle clients. Dynasty Financial Partners acted as exclusive sell-side financial advisor to IMVA in this transaction.

Advised

Investment Management of Virginia

On its sale to

PINNACLE ASSOCIATES LTD.

2023

Advised

DayMark WEALTH PARTNERS

On its acquisition of

The Compass Group

2023

DayMark Wealth Partners

On May 10, 2023, DayMark Wealth Partners ('DayMark') announced the addition of the Compass Group, a 6-person team from Wells Fargo, including advisors T. Rodney Twells, Andrew Sikorovsky, Joseph Schmidt, and three client relations directors. The team brings approximately $1.0bn in AUM and will operate out of DayMarks' office in Ohio.

This tuck-in represents the second team joining DayMark since the beginning of 2023 and brings the firm's total AUM to approximately $2.5bn. Sikorovsky stated that the move to independence will provide them with the "best opportunity and most flexibility to serve their clients' unique investment needs". Additionally, according to Schmidt, DayMark "will enable the Compass Group to customize investment solutions and serve clients in a true open architecture environment."

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Can New Custodians Be a Threat to the Big 3?

White-hot M&A activity, which has permeated the RIA industry for the last several years, has also overflowed into the custodian marketplace. As RIAs race for scale through consolidation, custodians find themselves doing the same while also trying to capture RIA assets in motion. Similar to the RIA universe, custodians are also battling not only through pure size, but also through relationships, capabilities, service, and technology. Two years ago, we covered the fresh news of the TD-Schwab merger, Goldman (finally) announcing their entrance into the custodian brawl, and two burgeoning competitors Apex Clearing Corp and Axos Financial. Now, once again, we explore this critically important adjacent sector.

The state of the industry is more of the same.

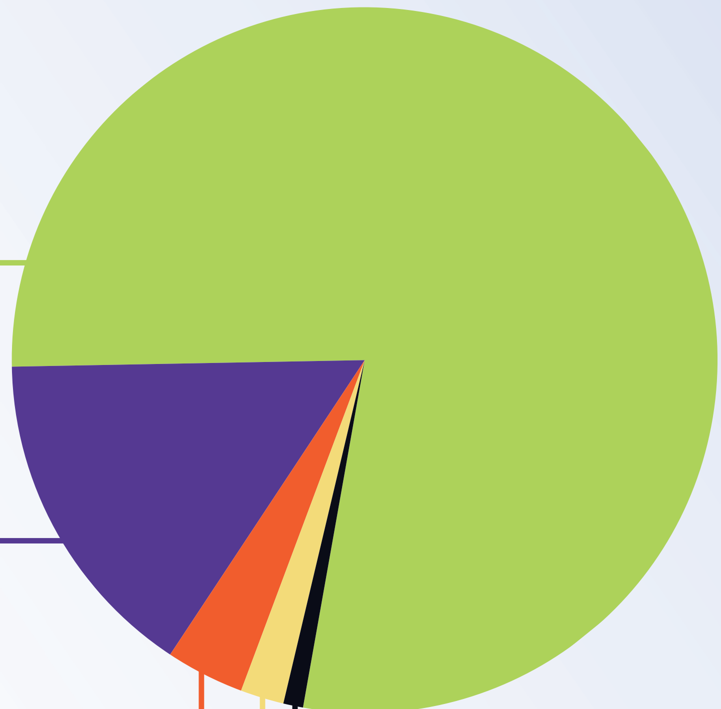
The mega deal (still) on everyone's mind is the Schwab-TD merger. Announced in November 2019 and completed in October 2020, the resulting behemoth totals over $7.6 trillion in total assets, which includes $3.6 trillion from over 10,000 RIA firms (effectively giving the newly combined entity control over +50% of the RIA custody business).[1]

The TD-Schwab merger continues to underscore the three key themes in the RIA custody space: the 30-year gravitation of advisors to the big four (now three) of Fidelity, Schwab/TD Ameritrade, and Pershing, advances in technology and service as major drivers of the winners of tomorrow, as well as the longstanding mantra from many advisors to diversify and 'not put all their eggs in one basket'.[2] As we anticipated in 2021, with the aforementioned 'big four' reduced to three, the latter theme has created new opportunities for entrants, especially those with a tech forward focus, something which many RIAs have been vocal about. This has not just been because of some of the foreseeable hiccups from the integration of TD-Schwab (as many clients experienced over Memorial Day weekend),[3] and not due to a portion of legacy TD client's displeasure with their new levels of service or sway. This concept of diversifying a RIA's custody assets across providers and the shrinking legacy field has resulted in new entrants. Some have entered the custody business through M&A, and others through costly new investment and technology. Notable amongst these new entrants include Goldman Sachs, Axos, Apex Clearing Corp, Altruist and Envestnet.

[1] RIABiz – 'With a 'loud' RIA custody outburst under ex-Schwabbie, SEI piles onto a mob effort to break Schwab/TDA RIA custody stranglehold' (2023)
[2] ThinkAdvisor – 'Where Is the Seismic Shift Following the Schwab-TD Ameritrade Deal?' (2021)
[3] RIABiz – 'After big Memorial Day systems merger, Charles Schwab & Co. gets an earful from TD Ameritrade investors -- and one RIA son-in-law -- over snafus, mobile app letdown and agonizing call center experiences' (2023)

Can New Custodians Be a Threat to the Big 3? *Continued*

Custodial Assets by Firm



charles SCHWAB

Of the roughly 18,000 independent RIAs, 16,000 custody some assets at Schwab.

Schwab custodies roughly **$3.6 trillion of RIA assets, and $7.6 trillion overall,** making it far and away the largest RIA custodian, according to company data.

Fidelity INVESTMENTS

Cerulli estimates put Fidelity in **second place with $1.5 trillion** under custody.

BNY MELLON | PERSHING

Cerulli places Pershing in **third with $350 billion** under custody.

LPL Financial

LPL custodies $194 billion of fee-only RIA assets, and $389.1 billion of hybrid RIA assets, on behalf of 500 RIAs employing 5,800 advisors according to the firm.

SEI

SEI custodies $1.3 trillion overall, including **$88 billion on behalf of RIAs**, according to the firm.

- **Altruist** declines to publicly reveal its custodied assets. It has roughly 3,350 RIA clients, according to recent reports.
- **TradePMR** custodies on behalf of roughly 400 RIAs, according to the firm.
- **Goldman Sachs** does not disclose the value of its RIA assets under custody.

Source: RIABiz – 'With a 'loud' RIA custody outburst under ex-Schwabbie, SEI piles onto a mob effort to break Schwab/TDA RIA custody stranglehold' (2023)

Can New Custodians Be a Threat to the Big 3? *Continued*

First Challenger

Goldman Sachs

Goldman accumulated staff, expertise, and tech ahead of a custodial launch, which was finally made official in mid-June 2021 with Steward Partners as their first client. This was a culmination of over a year of effort following Goldman's acquisition of Folio Financial in May of 2020 for roughly $250 million.[1] Folio, at the time, served more than 450 RIAs, and when combined with Goldman's acquisition of United Capital the year prior (and a significant financial investment of hiring a number of senior executives from Pershing, TD, and Schwab)
it signaled Goldman's intention to make a strong effort to compete in the custodian space.[2]

The question at its launch in 2021 was whether Goldman's new offering, despite the huge investment, could overcome its Wall Street legacy to attract independent wealth management firms, many of whom actively left Wall Street for the independent space. The answer, two years on, is an emphatic…unsure. Goldman's focus has been on competing with the legacy three on both the established RIA and breakaway front, primarily from leveraging the access to Goldman products which include everything from investment banking services to research to securities-based lending. Goldman believes, as do many discussed below, that leveraging its superior technology and alternative investment opportunities will allow it to grow a strong foothold.

After announcing a few large clients following the unveiling, Goldman has been for the most part surprisingly quiet until this quarter. Goldman has recently announced $2bn Ashton Thomas Private Wealth, $5.7bn NewEdge Wealth, $1bn Sargent Investment Group, and $20bn Prime Capital Investment Advisors have joined.3 Goldman has recently promised much more is still to come in terms of major announcements.

"We're really focused on the digital, on bringing that curated list and making sure it's seamless for the end client to access."[3]

[1] RIABiz – "Goldman Sachs buys Folio to gain an RIA-custody toehold, and gets robo-advisors in the bargain, days after Schwab buys Motif' (2021)
[2] WealthManagementt.com – ' Goldman's Brand Could Be Its Biggest Benefit—or Achilles' Heel—in Attracting RIAs' (2021)
[3] Citywire – "You're going to see a lot out of us': Goldman grows RIA custody biz' (2023)

Can New Custodians Be a Threat to the Big 3? *Continued*

Second Challenger

APEX | Clearing™

For Apex Clearing Corp. things have gone less well, as despite further drastic growth, one of their partners (Altruist) have become a yet another competitor discussed later in this section.

Apex made a splash during the SPAC M&A frenzy, agreeing to go public through merging with Northern Star Investment Corp. II (NYSE: NSTB), for close to $5 billion.[1] This ended in failure however as the deal unraveled when not approved by shareholders. Although much smaller than the larger competitors listed in this section, Apex has enjoyed strong growth over the past few years and has tripled its assets in custody from roughly $30 billion in 2017 to around $100 billion in 2020. Today Apex boasts over $110bn in assets under custody.[2] Utilized currently by Goldman's Marcus, SoFi, and in the past by Robinhood, Apex is one of the relatively young tech-forward upstarts in the space. Apex contends that in pursuit of scale, the legacy custodians have made concessions on the service model and the technology and the next wave of younger advisors would be particularly drawn to alternative custodians who could provide superior technology and more customized service, especially when they are not focused on competing with their clients with retail offerings.[3] As evidenced by Apex punching well above its weight in recent years, giving Schwab a run for its money in retaining Edelman's $30 billion RIA account for one, it will certainly be worth tracking. Despite the above, recent news, as discussed below, has been less positive for this burgeoning competitor.[4]

Third Challenger

axos FINANCIAL

Axos Financial's 2021 announcement of a $55 million all cash acquisition of E*TRADE's custody business ($23 billion assets under custody) from Morgan Stanley answered questions surrounding that segment of E*TRADE's business following the $13 billion deal the year prior. This marks another notable investment in the market by an online focused company, something to watch in the coming months and years. To date there have been no notable further movements here, but we will continue to track the online focused company as this space continues to evolve and accept new and differing ways to service clients and attract new business.

[1] WealthManagement.com – 'Fintech Firm Apex Clearing Agrees to Go Public Via SPAC' (2021)

[2] Apex Fintech Solutions - Website (2023)

[3] WealthManagement.com – 'Emerging Custodians See Room to Move' (2023)

[4[RIABiz– 'How Schwab Advisor Services managed to keep (the better part of) Edelman Financial Engines' $30-billion RIA account after sweating out an RFP' (2021)

Can New Custodians Be a Threat to the Big 3? *Continued*

Fourth Challenger

Altruist

Altruist is an intriguing candidate, one who has been tabbed by multiple outlets as being the closest to threatening Pershing's grip as the third largest player. Altruist is well capitalized and has momentum, having just raised $112 million in series D funding and acquiring rival SSG in March 2023. The acquisition doubled its RIA client count and resulted in it nixing its partnership with Apex.[1]

Altruist typifies the key themes for the custodian future, that a tech forward approach which enhances the client experience will be a differentiator and enable success not only against other would-be competitors, but also the big 3. Altruist, prior to the acquisition was only an overlay, or software front end on top of Apex's clearing service.[1]

This digital first focus and moving from top-notch front-end service coupled with modern technology, to then moving toward owning the custodian backend will be something we will watch in the coming years. Given its recent higher profile client pick-up like Potomac Funds (Miami TAMP) and rumored further announcements to come regarding the $110 billion AUA RIA and OSJ, Mariner Wealth (their major series D investor), Altruist will look to keep the positive momentum moving.[1]

Fifth Challenger

ENVESTNET

Envestnet is another tech first challenger who has teased a full-on jump into the custody space. To avoid the intensive start-up costs, Envestnet announced a white label of FNZ-owned State Street Wealth Manager Services beginning in 2022 and has outright announced its further involvement by the end of 2023, marking the end of its avoidance of competing with the big three custodians. Together FNZ and Envestnet oversee over $6.5 trillion, individually with FNZ administering over $1.5 trillion, and Envestnet over $5 trillion.[2,3]

Envestnet plans on a gradual rollout to key clients, focusing mainly on the broker-dealer market, between now and the end of the year. Given FNZ's over $1.5 billion in outside investment, and its huge reach in the U.S., this final competitor of the list has tremendous opportunity.[3]

[1] RIABiz – 'Altruist's Jason Wenk wins Marty Bicknell's capital as part of $112-million 'D' raise but the bigger challenge is winning his RIA's AUM' (2023)

[2] RIABiz – 'Bill Crager reads the room and commandeers State Street's old RIA custody unit for Envestnet with FNZ deal' (2022)

[3] Financial Advisor IQ – 'Envestnet Blames Volatility for Revenue Crunch, Expects RIA Custody Launch by Year End' (2023)

Can New Custodians Be a Threat to the Big 3? *Continued*

So, what does all this mean?

It is a lucrative space to be involved in, and the competitors are not likely to give up anytime soon. According to Envestnet CEO Bill Crager, "[I]n the RIA world, all economics related to custody average around 15 basis points and in the broker-dealer market, around 9 basis points... we'll begin to participate in those economics for the first time. And the opportunity that we have is significant, exemplified by the one-trillion-plus of annual gross flows that runs through our platform every year...I see it also being pretty high-margin revenue for us as we get going".[1]

On the surface it would appear that the leviathan Schwab, which has claimed to do at least some business with up to 85% of RIA firms, would be at a tremendous advantage. But, according to Cerulli, one in four RIAs, roughly 4,500 advice shops, are considering adding a new custody partner this year. Plenty of room for competition. We project the custodian M&A market to remain strong as current and new competitors utilize innovative technology as a means to differentiate themselves and compete for wallet share among RIAs who will continue to adhere to the diversification mantra of 'not putting all their eggs in one basket'.

[1] Financial Advisor IQ – 'Envestnet Blames Volatility for Revenue Crunch, Expects RIA Custody Launch by Year End' (2023)

Failed Bank M&A Resulting In Advisor Attrition

The wealth management industry has seen a number of large deals with countless discrete intricate parts to consider, but May's announcement of the JPMorgan acquisition of First Republic and the announced March acquisition of Silicon Valley Bank by First Citizens, are two of the most notable in recent years.

The story:

First Republic and Silicon Valley Bank (SVB), despite not being traditional RIAs, have emphatically been major players in the wealth management M&A space. Silicon Valley bought Boston Private, a budding aggregator with $17bn AUM in January 2021, and both were regional banks who competed and won many breakaway high net-worth advisor teams-routinely outcompeting other would be wirehouse landing spots.

Then, as interest rates rose, both banks had to take material unexpected write downs on their treasury portfolio resulting in capital raises, asset fire sales, and a run on each bank, throwing their wealth management arms into disarray and ending in two shotgun marriages between First Republic and JPMorgan and SVB and First Citizens. For RIAs, the effect of these events were threefold:

1. A major boon for RIA advisor recruitment efforts as two competitors were removed from consideration
2. Certain advisors having the perception there is a larger bank 'safe harbor' versus chancing independence
3. Some regional RIAs showing their strength by bidding on what was left

The third point is perhaps the most surprising aspect of the whole saga. When the FDIC looked for buyers for the two troubled regional banks, two of the unsuccessful bidders that emerged were $13bn Lido Advisors and $103bn AUM Creative Planning. Although we do not know the specifics of either bid, the fact that the RIA space has anywhere close to the capital, dry powder, or confidence of the likes of other failed bidders like Reverence Capital or Blackstone is particularly illuminating about where the wealth management M&A market might one day grow to.[1]

[1] Citywire – 'Creative Planning and Lido Advisors made unsuccessful bids on SVB' (2023)

Failed Bank M&A Resulting In Advisor Attrition *Continued*

Fieldpoint Private redux?

As the second point above hinted at, the two forced mergers created ample opportunity for a failed merger, or as this space examined this time last year, a Fieldpoint Private redux.

Announced M&A deals fail all the time, whether due to valuation, lack of realized synergies, regulation, investor activism, or any number of individualized reasons particular to any combination of two or more entities. Things are no different in the wealth management space, as one only has to ask a dozen firms who were recently bought by a more professional aggregator for an earlier deal which fell through (or any one aggregator for a deal which fell through in the prior quarter). That said, no failed M&A deal in the RIA space got as much coverage as the failed acquisition Fieldpoint Private by Merchant and Summit. Although it is too early to make any final definitive calls on the two forced mergers, as was also the case with the semi-public implosion of Fieldpoint, there are many common themes and lessons which can be extrapolated.

The deals:

While SVB has been known for its coveted niche as the banker of choice for Silicon Valley start-ups, it is known primarily in the wealth space for its high-net-worth wealth focus, most of which was acquired in 2021 via Boston Private. First Republic built itself from luring high net worth advisor teams from wirehouses. It did so in a two-fold strategy:

1 Cash for assets

First Republic offered rich rewards for the high-net-worth broker's customer cash. In some cases, these bonuses exceeded 115 basis points. This was far above going rates at other firms. This bonus far outstripped what brokers typically earned on customer cash sweeps at other major brokerage firms.[1]

2 Recruitment bonuses

Recruitment bonuses are a common tool used both within and outside wirehouses.

[1] AdvisorHub – 'In Lead-up to Collapse, First Republic Raked in Deposits With Rich Rewards to Brokers' (2023)

Failed Bank M&A Resulting In Advisor Attrition *Continued*

Structured as promissory notes, a loan predicated on a percentage of trailing 12-month revenue to targeted advisors. Upon hire, the advisor owes an amount back if they leave before the forgivable loan's maturity date. These terms would be around 10-12 years and treated as ordinary income to the advisor when forgiven. First Republic has been historically aggressive, offering advisors as much as 300-400% of their trailing 12-month revenue.[1]

The result of these efforts saw First Republic's client deposits grow at a 21% CAGR to $176 billion at the end of 2022. This model for referrals and growth was extremely successful, though also left First Republic and its customers particularly vulnerable with a larger share of uninsured deposits than others.[2]

Then these well publicized strategies went awry.

After the dust settled, JPMorgan paid the FDIC $10.6bn for First Republic's 84 offices across eight states. The FDIC currently expects to cover a loss of about $13 billion on First Republic's assets. JPMorgan acquired $173bn in loans, $30bn in securities, and $92bn in deposits from First Republic.[3,4]

As recently as February, First Republic had over 200 brokers, which it referred to as wealth managers, in its private wealth division. However, at least a quarter of those have left since the regional bank deposit crisis began to unfold in March.[5] First Citizens absorbed over $50 billion in deposits from SVB, on top of 17 legacy branches which began operating as Silicon Valley Bank, a division of First Citizens.[6]

As part of the deal, the FDIC estimated that the cost of Silicon Valley Bank's failure on the government's deposit insurance fund would be $20 billion. The two will share any losses on the loans included in the transaction, an example being that the FDIC agreed to reimburse First Citizens for half of any losses above $5 billion on the portfolio of commercial loans transferred in the deal.[7]

[1] Citywire – ''Aggressive' First Republic recruiting bonuses a barrier to independence' (2023)
[2] AdvisorHub – 'In Lead-up to Collapse, First Republic Raked in Deposits With Rich Rewards to Brokers' (2023)
[3] Financial Advisor IQ – 'JPMorgan to Buy First Republic After Regulators' Seizure' (2023)
[4] The New York Times – 'Late-Night Negotiating Frenzy Left First Republic in JPMorgan's Control' (2023)
[5] AdvisorHub – 'JPMorgan Execs Court First Republic Brokers as More Jump to Wells Fargo, Rockefeller' (2023)
[6] WealthManagementt.com – 'First Citizens to Buy SVB After Biggest Bank Failure Since 2008' (2023)
[7] The New York Times – 'Silicon Valley Bank Sold to First Citizens in Government-Backed Deal' (2023)

Failed Bank M&A Resulting In Advisor Attrition *Continued*

Strategic rationale for buyer:

For both First Citizens and JPMorgan, the rationale of their respective acquisitions is simple: to augment their wealth management offering as well as their brokerage and deposit base. Pro forma for the First Republic deal, JPMorgan boasts a wealth business which totals close to $700bn in AUM. Through the merger with SVB, First Citizens became a top 15 U.S. bank and for the first time boasts an ultra-high net worth wealth management capability.

How many advisors they can hold onto will depend on a variety of factors, as described below.

The reaction:

Post each transaction, there was some meaningful money in motion by advisors seeking a different home. Both banks hemorrhaged advisors and assets ahead of their forced sale as rumors grew about their financial health (and this has continued). Many of the advisors cited concerns over potential access to sufficient resources, model changes, and cultural fit as factors weighing on their decision-making process.

“Some people are going to go, ‘Thank God JPMorgan's here, we have the biggest name in the industry, the most stable name, why would I want to put my customers through a move...others will say, ‘I don't want to work for a big bank. That's why I came to First Republic: It was flat management — I could call the CEO, and there weren’t a bunch of encumbering rules.’”[1]

J.P.Morgan

svb Silicon Valley Bank
A Division of First Citizens Bank

[1] Financial Advisor IQ – ‘JPMorgan Aims to Retain First Republic's Prized Wealth Unit’ (2023)

Failed Bank M&A Resulting In Advisor Attrition *Continued*

Where have they gone?

Where the advisors ended up (abridged)[1]:

Broker/Team	New Firm	Move Date	AUM	T-12 Production	Location
Team 1	Morgan Stanley	3/17	$1.5B	$10M	New York
Team 2	Rockefeller Capital Management	3/27	$1B	$7M	San Francisco
Team 3	Morgan Stanley	3/30	$500M	$4.8M	New York
Team 4	Morgan Stanley	3/30	$324M	$3M	San Francisco
Team 5	Morgan Stanley	4/3	$1.8B	$12.5M	New York
Team 6	Morgan Stanley	4/3	$490M	$3.8M	New York
Team 7	UBS	4/3	$478M	N/A	New York
Team 8	Morgan Stanley	4/5	$2.4B	$8M	Miami
Team 9	Morgan Stanley	4/6	$768M	$5.2M	San Francisco
Team 10	RBC Royal Bank	4/10	$1B	$9M	Newport Beach
Team 11	J.P.Morgan	4/11	$700M	$7M	New York and Miami
Team 12	Morgan Stanley	4/13	$900M	$7M	New York and West Palm Beach
Team 13	Rockefeller Capital Management	4/19	$2.4B	$14.5M	New York
Team 14	Cresset	4/21	$13B	$40M	Silicon Valley; Greenwich, CT; New York
Team 15	RBC Royal Bank	4/24	$241M	N/A	Newport Beach
Team 16	UBS	4/25	$4B	$16M	New York
Team 17	RBC Royal Bank	4/25	$300M	$2.5M	San Francisco
Team 18	J.P.Morgan	4/26	$1.3B	$7M	Los Angeles
Team 19	Certuity	4/26	N/A	N/A	San Francisco
Team 20	RBC Royal Bank	4/27	$400M	TK	San Francisco
Team 21	Morgan Stanley	4/27	$3B	$23M	San Francisco

[1] AdvisorHub – '$23-Mln First Republic Team Joins Morgan Stanley as Broker Defections Near 25%' (2023)

Failed Bank M&A Resulting In Advisor Attrition *Continued*

Broker/Team	New Firm	Move Date	AUM	T-12 Production	Location
Team 22	RBC Royal Bank	5/31	N/A	N/A	San Francisco as an MD
Team 23	Atria Wealth Solutions / Cadaret Grant	5/31	$1.1B	N/A	Jericho, NY
Team 24	William Blair	5/31	$2B	N/A	San Francisco
Team 25	William Blair	5/31	$435M	N/A	Denver
Team 26	Rockefeller Capital Management	5/31	$1.5B	$6.5M	Boston
Team 27	Rockefeller Capital Management	5/31	$800M	$5.2M	St. Louis
Team 28	Wells Fargo	6/1	$374M	$3.7M	Boston
Team 29	Wells Fargo	6/1	$200M	$1.03M	Westlake Village, CA
Team 30	Rockefeller Capital Management	5/8	$700M	$4.5M	San Francisco
Team 31	Rockefeller Capital Management	5/1	$400M	$2.4M	New York
Team 32	Morgan Stanley	5/1	$747M	N/A	Beverly Hills, California
Team 33	RBC Royal Bank	4/1	$1B	$9M	Newport Beach
Team 34	J.P.Morgan	4/1	N/A	N/A	Los Angeles
Team 35	Wells Fargo	4/1	$810M	$5.9M	Los Angeles
Team 36	Wells Fargo	4/1	$436M	$3.2M	Los Angeles
Team 37	Lido Advisors	5/1	$1B	N/A	San Diego
Team 38	Wells Fargo	5/1	$664M	$4M	San Francisco
Team 39	Rockefeller Capital Management	5/2	$1B	$7M	San Francisco
Team 40	IEC	5/1	$1.5B	$6.8M	San Francisco, Boston
Team 41	Cerity Partners	4/1	$62B	N/A	N/A
Team 42	Cynosure Capital Management	4/1	$6.5B	N/A	Boston
Team 43	F.L.Putnam	4/1	N/A	N/A	Maryland
Team 44	Cynosure Capital Management	4/1	N/A	N/A	N/A
Team 45	Cerity Partners	4/1	N/A	N/A	N/A

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Failed Bank M&A Resulting In Advisor Attrition *Continued*

The lessons:

Any fire sale of one wealth management firm with its own ethos and culture to another will create risks for advisor retention. That said, they both serve to underscore the primary tenants of dealmaking. When constructing a deal, in addition to getting objective strategic advice and leveraging previous M&A experiences, parties need to consider:

- Size (e.g., AUM and staff)
- Service model (UHNW clients, targeted niches, how many client meetings a month, multi-family office services, etc.)
- Scope (what services are expected by clients with their fee vs what are paid for by clients)
- Cultural compatibility

Through this lens, at first glance it would appear, in terms of size, both mergers work.

In the case of JPMorgan and First Republic, JPMorgan has strong brand recognition and a breadth of services which should be able to support First Republic advisors. But it is still a wirehouse bank, something many of the advisors sought to flee when they joined First Republic. Why would they want to be forced back if they had a choice?

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Failed Bank M&A Resulting In Advisor Attrition *Continued*

For SVB it is mostly a concern about brand, culture and execution. It's unclear whether First Citizens, who historically has not had any meaningful wealth management capabilities, can execute a high-end wealth management plan. Past examples of financial firms merging that have included meaningful wealth management businesses include UBS-PaineWebber, Morgan Stanley-Smith Barney, and Goldman Sachs-United Capital. All went through as planned, but cultural incompatibility in particular saw advisors vote with their feet.

An investment bank can help would-be acquirers think through such risks and help negotiate protections like breakup fees and retention bonuses to mitigate departures and align incentives. But in the end, the core issue with these transactions would result in the same heightened risk with such a deal: it's one thing to be acquired under the same business model with just a new name above the entrance, but a completely different story to be acquired into a different business model as is the case in these recent deals.

As it stands today, First Republic is down roughly 25% of its advisors (began with 200 at the beginning of the saga) and First Citizens has seemingly single handedly jumpstarted Cynosure's wealth management business through hiring over seven wealth managers creating the largest concentration of SVB refugees, and SVB Private's assets have dwindled to under $8bn from over $14bn at the end of 2022.[1,2]

Important caveat in favor of both deals, however, is the experience both banks have with growth in this manner. JPMorgan's experience is well documented, most prominently with the firesale of Bear Sterns. First Citizens has extensive experience, albeit on a much smaller scale, with numerous bankruptcy-induced acquisitions and 15 total in the last decade. Both firms (should) know what they are getting into and have a well-worn path to what they would deem a success.

[1] WealthManagementt.com – 'SVB's Bankruptcy a 'Big Catalyst' for Utah-Based Investment Manager' (2023)
[2] WealthManagementt.com – 'First Citizens Hopes To Slow Attrition As SVB Wealth Leaves Broker Protocol' (2023)

Changing of the Guard? RIA Management Moves

When it comes to discussing the war for talent in the wealth management space, the focus is, rightfully, on the next generation advisors who will be the beneficiaries of the upcoming demographic reality of aging advisors. Much less focus is on the leadership talent war which bubbled to the surface in Q2 2023. We tracked 36 firms experiencing leadership turnover this quarter, an unprecedented number at some of the largest and influential RIA and serial acquirers in the space.

Date	Title (Old)	Title (New)	Executive Name	Former Firm	New Firm
May-23	CEO	Board Member	Josh Pace	Apella Capital	Founders Financial
May-23	M&A Head	Board of Advisors	Vamsi Yadlapati	Focus Financial Partners	Savvy Wealth
May-23	CEO	CEO	Ryan Parker	Edelman Financial Services	EP Wealth
May-23	COO, Co-Founder	President of RIA Solutions	Ed Swenson	Dynasty Financial Partners	Osaic
May-23	CEO	CEO	Mike Durbin	Fidelity eMoney	Cetera
May-23	CEO	Board Member	Charles Goldman	Assetmark	Orion
May-23	CEO	CEO	Jay Shah	Personal Capital	Edelman Financial Engines
May-23	CEO	Founder	Deborah Stavis	Stavis & Cohen Financial in CI's RIA Division	TBA
Jun-23	VP	Director of Operations	Teresa Matthews-Fletcher	United Capital	Apollon Wealth
May-23	President	Managing Partner	Colter Lewis	MAI Capital Management	Endeavor Advisors
May-23	Head of Asset and Wealth Management Banking	President	Liz Nesvold	Raymond James	Cresset
May-23	Practice Management Executive	CEO	Jenny Souza	Emigrant Partners	Emigrant Partners
May-23	Founder	COO	Matt Sonnen	PFI Advisors	Coldstream
Mar-23	COO	CEO	Adam Malamed	Ladenburg Thalmann	Sanctuary Wealth
Apr-23	CEO, President	N/A	Karl Heckenberg	Emigrant Partners	TBA
Jun-23	Director of M&A	CFO	Jason Carver	Carson Group	Pure Financial Advisors
Jun-23	Head of Strategy for Client Life Cycle Management	COO, Executive VP	Joseph Glick	Deutsche Bank	Sequoia Financial Group
Jun-23	COO	CEO	Bruce Milam	Freestone Capital Management	Miracle Mile
Jun-23	COO	COO	Chris Wilde	NEIRG Wealth Management	Connectus Wealth Advisers
Jun-23	President, CEO	CCO	Gregory Britton	Atlas Private Wealth Management	Connectus Wealth Advisers
Jun-23	Director of Strategic Relationships	CEO	Jeff Pierce	Creative Planning	The Mather Group

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Changing of the Guard? RIA Management Moves *Continued*

The story here is twofold.

First, this is a tremendous amount of turnover, and it remains to be seen how this will affect the strategies of some of the biggest acquirers in the space, including Emigrant, EP Wealth, Cetera, Sanctuary and Coldstream. Will they become more acquisitive? Will their strategy adjust?

Even more interesting, will the likes of Cresset, Savvy, and Endeavor join the prior list with their newfound M&A expertise?

Second takeaway is column 5 which details their prior employer-namely that this has in many ways become a game of musical chairs. In the same way there is a shortage of qualified and attractive next generation advisor talent, there would appear to be an equal shortage of leadership talent within the RIA space.

As more capital flows into the sector, and buyer and RIA sophistication increases, we expect this trend to continue. There are only so many qualified wealth management, and more specifically RIA industry, leaders and the game of musical chairs will continue as leaders get swapped and poached by competitors.

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Public Market Update and Notable Deals

CI Financial, Investor Syndicate

CI Financial manages approximately C$395 billion in total assets, of which C$189 billion resides in its recently acquired US Wealth Management portfolio.[1] CI Financial has experienced a growth rate of AUM of over 26% over the last 12 months (April 2022 to April 2023).

On May 11, CI Financial announced, contrary to the publicly announced intention of pursuing an IPO of that arm in the U.S., that they were selling 20% of their US Wealth Management business to a syndicate of leading institutional investors including the Abu Dhabi Investment Authority, Bain Capital, Flexpoint Ford, Ares Management funds, the State of Wisconsin, and others for approximately $1 billion.[2]

This transaction served several purposes, but primarily it provided CI Financial with immediate financial relief as the firm can now pay down its accumulated debt from previous acquisitions of scaled RIAs across the US, a crucial factor as it had already recently raised its maximum leverage level to accommodate this reality. Senior executives at CI Financial have expressed concern with the company's lower valuation comparative to private market valuations and supported this sale as it creates value for shareholders and is an alternative to an IPO of CI U.S.[3] (for now), where currently the markets are less than accommodative . Additionally, on May 24th, CI Financial announced they had repurchased over C$234mm of their outstanding debentures due in 2024, C$370mm due in 2025, and C$97mm due in 2027, further easing analysts and executives' concerns.[4] Chairman Bill Holland said, "we have retained majority ownership of CI US while partnering with world-class investors and adding new directors at CI US". This statement emphasizes, on the part of senior management at CI, the importance these new partnerships in providing this lifeline and fresh new investment. Their hope is that these long-term relationships contribute to the company's continued growth and value creation measures , both organic and inorganic.[3]

[1] CI Financial – 'CI Financial Reports Record Total Assets of $394.9 Billion for April 2023' (2023)
[2] Reuters – 'CI Financial sells $1 bln minority stake in US wealth management arm' (2023)
[3] WealthManagementt.com – 'Bain, Abu Dhabi Buy Stake in CI Financial's US Wealth Unit' (2023)
[4] CI Financial – 'CI Financial Corp. Announces Completion of Debt Tender Offers and Pre-IPO Minority Investment in Its U.S. Wealth Management Business' (2023)

Public Market Update and Notable Deals *Continued*

Bain Capital, a US based investor in this deal, is a private investment firm with approximately $165bn AUM that has historically invested heavily into the fintech space and recently expanded into the RIA realm. In mid-2021, Bain Capital bought equity from Long Ridge Equity Partners to gain a minority stake in Carson Group.[1] This partnership allowed Carson Group to scale their M&A and focus on building a long-term growth strategy.[2] Cristian Jitianu, a Bain Capital Partner, reiterated this objective of adding new geographic footprints locally and abroad, acquiring products that scale the business in existing markets, and continuing to pursue the fast pace of M&A in the RIA space with their investment in CI Financial.[3]

Upon analyzing CI Financials' Q1 results, adjusted U.S. Wealth Management EBITDA increased over 15% QoQ; from ~C$60mm to ~C$69mm, partially attributed to a 6% increase in revenue from U.S. wealth management fees bringing revenues to C$201mm. Net income reflects a stronger financial position with a 2.9% increase in revenues and a slight decrease in expenses from 2022 Q4.[4] The deal values CI's wealth business at $5.4bn, which represents a multiple of 25.6x on CI's trailing 12-month EBITDA. The CI deal reveals that investors actually purchased preferred equity which had a unique structure that forces these outside investors to earn a return of 1.5x of the original purchase by the 3rd year anniversary and 2.25x after the 6th year anniversary of the deal. This common structural feature, otherwise known as payment in kind, or 'PIK', for this deal is 14.5% a year compounded on top of the initial $1 billion investment, thus, the deal only pays off for CI and its stakeholders if the company can match or beat the PIK rate by growing enterprise value of the company to 14.5% or more annually. However, if CI does not grow the enterprise value by 125% by 2029, common shareholders will have to pay back the preferred investor group. Nevertheless, CI has the capability to distribute cash flow to preferred investors to reduce liquidation preference and maintain the implied multiple.[5]

This structure comes with very low risk for the investors and means the true equity value of the stake will be determined by CI's growth.

[1] WealthManagementt.com – 'Bain Capital Takes Minority Stake in Carson Group' (2021)
[2] RIAIntel – 'Bain Capital Says It Invested Millions in Carson Group, a Technology Company. Is That What It Is?' (2021)
[3] PE Hub – 'Inside the deal: Bain Capital partner on CI Financials' US wealth management business' (2023)
[4] CI Financial – 'QUARTERLY FINANCIAL REPORT Q1 2023' (2023)
[5] Citywire – 'CI and Focus: A tale of two valuations' (2023)

Public Market Update and Notable Deals *Continued*

Rockefeller, IGM Financial

In April, IGM Financial announced a $622mm investment in Rockefeller in exchange for approximately 20.5% ownership stake. Rockefeller executives believe that IGM is a strategic partner that adds value to the "long-term investment orientation" of the firm; has cultural alignment in terms of fit, values, and leadership; and has a similar investment philosophy to Viking (Rockefeller's founding majority private equity investor). Additionally, the Rockefeller family is increasing its investment in Rockefeller Capital Management as a part of the deal.

IGM Financial is a publicly traded wealth and asset management company (ticker: IGM, market cap: $30.2bn) supporting financial advisors and the clients they serve as a member of the Power Corporation of Canada. Power Corporation is an international management and holding company that focuses on financial services in North America, Europe, and Asia. At the end of May 2023, IGM reported total assets under advisement of ~$257bn CAD.

Rockefeller Capital Management is an independent wealth management and financial services firm that offers family office, asset management, and strategic advisory services to high-net-worth individuals, families, institutions, and corporations. The company manages approximately $100bn in AUM.[2] According to Rockefeller COO, Chris Dupuy, Rockefeller has held a strong emphasis on building "an advisor-centric and client-centric culture that really allow sophisticated, experienced advisors to get back to their roots, think like entrepreneurs, wake-up every morning enthusiastic about coming up with sophisticated customized strategies for their very best clients and working in a firm that is going to be supportive of helping them fulfill whatever the need of the client might be".[3]

James O'Sullivan, President, and CEO of IGM Financial believes the two firms have "compatible business visions" which builds IGM's confidence on Rockefeller's future growth prospects. Additionally, IGM executives are certain this deal will expand the company's presence in the high-net-worth and ultra-high-net-worth client segments allowing them to enter the US wealth market. An intriguing aspect to this deal is the familial partnership being built between the Desmarais (holds control over IGM Financial) and Rockefeller families.[4]

[1] WealthManagementt.com – 'IGM FINANCIAL INC. ANNOUNCES MAY 2023 ASSETS UNDER MANAGEMENT & ADVISEMENT AND NET FLOWS' (2023)
[2] Rockefeller Capital Management - Website (2023)
[3] Diamond Consultant – 'The Rockefeller Effect: Why the Multi-Family Office Model Has Become the Talk of the Industry' (2023)
[4] Business Wire – 'IGM Financial, a Member of the Power Corporation Group of Companies, Making Long-Term Strategic Investment in Rockefeller Capital Management; Becomes Shareholder Alongside Majority Investor Viking Global Investors' (2023)

Public Market Update and Notable Deals *Continued*

The expansion of IGM's wealth management footprint, through Rockefeller, into the US is taking place with a brand and business model focused on high-net-worth and ultra-high-net worth segments; strategic ownership position with 2 board seats and rights enhancing IGM's opportunity to increase equity interest in Rockefeller in the future; and an opportunity for knowledge sharing and collaboration between Rockefeller and IGM's wealth management business.[1]

WEG, Stone Point

Wealth Enhancement Group® / STONE POINT CAPITAL

Stone Point Capital is a private equity firm that invests in global financial services businesses. The firm recently invested $250 million in Wealth Enhancement Group (WEG), an independent wealth management firm offering financial planning and investment management services. Wealth Enhancement Group is a 'serial RIA acquirer', relying heavily on building presence and scale through RIA acquisitions.

WEG raised the capital in this deal by selling notes which carry a PIK function similar to the CI Financial deal. Stone Point Capital was the lead investor. Given that WEG is a private firm, CFO Kelly Windorski commented that specificities on the funding activities are not made public, yet the firm is building partnerships with equity investors and credit partners through their growth strategy supplementing organic growth with acquisitions. This deal marks the first officially announced capital raise for WEG since Onex Corporation's and TA Associates' equity stake in late 2021.
From Stone Point's perspective, the WEG investment is the private equity firm's third deal with an RIA/ RIA adjacent in 2023. In the Q1 2023, Stone Point took a minority stake in IEQ Capital, retained a portion of its investment in Focus Financial Partners, and provide new equity financing as part of a private deal with Clayton, Dubilier & Rice.[2] This deal highlights the trend of capital inflow from private equity firms to RIA consolidators providing both diversification and scale through a single acquisition.[3]

[1] IGM Financial – 'IGM Financial Acquires Stake in Rockefeller Capital Management to Enter the U.S. Wealth Management Market and Accelerate Growth' (2023)
[2] Citywire – 'Wealth Enhancement Group raises $250m in Stone Point note deal –sources' (2023)
[3] Mercer Capital – 'Private Equity's Silent Push into the RIA Space' (2019)

PE Continues To Be Resilient in RIA M&A

Private equity firms continue to actively invest in and acquire RIAs, driven by the substantial potential for growth and the array of untapped opportunities available in the industry. This ongoing influx of private equity capital has not only fueled the expansion of established RIA consolidators, but also enabled flagship RIAs to start pursuing inorganic growth with increased confidence.

What drives influx of private capital in the RIA space?

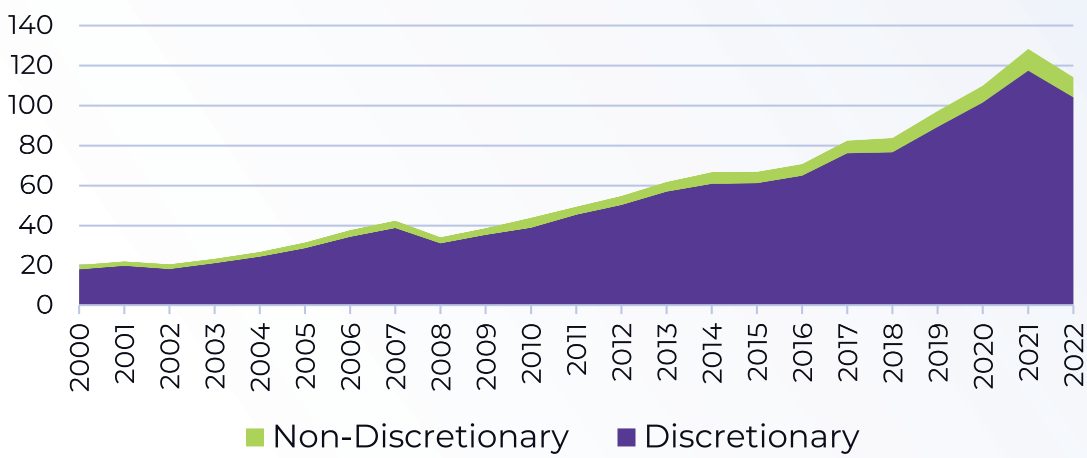
1 Predictable Revenue Streams

On average, 81% of the total revenue generated by RIAs is derived from a fee-based model[1]. This operating model, coupled with enduring client relationships, provides a consistent and dependable flow of recurring revenue that can be relied upon to service capital.

2 Track Record of Growth[2]

RIAs continue to benefit from favorable industry headwinds. Over the years, RIAs have consistently attracted a substantial influx of assets, despite a slight decline in 2022 primarily due to unfavorable market conditions. This ongoing AUM growth highlights that individual investors seeking personalized and independent financial advice are increasingly recognizing the value of the fiduciary advice provided by investments advisers employed by RIAs. As such, the number of SEC-registered investment RIAs grew from 12,578 firms in 2017 to 15,114 in 2022, another testament to the trust clients place in RIAs.

Assets Under Managements in the U.S. RIA Industry, $ in Trillions



[1] Cerulli Associates – 'Private Equity Carves Out Its Place in the RIA Space' (2023)

[2] Investment Adviser Association – 'Investment Adviser Industry Snapshot 2023' (2023)

PE Continues To Be Resilient in RIA M&A *Continued*

3 Fragmentation[1]

The RIA industry is highly fragmented with firms operating on different scales and serving diverse client bases. These range from small boutique advisory practices servicing primarily pharmaceutical executives to large RIA aggregators who specialize on the mass affluent client demographic. The majority of RIAs operate as small businesses, making them ideal candidates for industry consolidation. In 2022:

70.2%
of U.S. RIAs managed less than $1 billion in assets, and 88.5% managed less than $5 billion

78.6%
of U.S. RIAs had only 1 or 2 offices

91.7%
of U.S. RIAs employed 100 or fewer employees

4 Opportunities

According to recent market research[2], the potential market for RIA acquisitions over the next 5 to 10 years has expanded to $3.7 trillion AUM. This includes an estimated $2.6 trillion of AUM in motion as a result of an imminent succession crisis due to an aging RIA owner advisor class. Other factors contributing to this sizable opportunity market for RIA acquisitions include growth-challenged RIAs ($588 billion AUM) and breakaway advisors ($506 billion AUM).

[1] Investment Adviser Association – 'Investment Adviser Industry Snapshot 2023' (2023)
[2] Cerulli Associates – 'Private Equity Carves Out Its Place in the RIA Space' (2023)

PE Continues To Be Resilient in RIA M&A *Continued*

Regardless of whether PE activity is perceived as a positive or negative influence on the RIA industry, one thing is certain—it is here to stay. The influx of PE capital plays a pivotal role in driving strategic consolidation and facilitating the creation of new acquisition platforms as illustrated below.

67%

of the deals announced by strategic acquirers in Q1 2023 were completed by an acquirer with at least one private equity investor[1]

84%

of deals publicly announced this May involved PE backing in some way, shape, or form[2]

Noteworthy PE investments announced in first half of 2023

Announcement Date	Private Equity Investor	Seller	Seller Type
January 2023	Emigrant Partners	Dakota Wealth Management	Aggregator
January 2023	Golden Gate	Parallel Advisors	RIA
January 2023	Golden Gate	Autus Asset Management	RIA
February 1, 2023	Emigrant Partners	SteelPeak Wealth	RIA
February 15, 2023	Hightower	Bickling Financial Services	RIA
February 27, 2023	CD&R	Focus Financial Partners	Aggregator
February 28, 2023	Harvest Partners	Mercer Advisors	Aggregator
March 6, 2023	Kelso & Company	Pathstone	Aggregator
April 4, 2023	IGM Financial Inc	Rockefeller Capital Management	Aggregator
April 28, 2023	Audax Private Equity	Congress Wealth Management	RIA
May 11, 2023	Abu Dhabi Investment Authority, Bain Capital, Flexpoint Ford, Ares Management and the state of Wisconsin	CI Financial	Aggregator
June 6, 2023	Atlas Partners	Mercer Global Advisors	Aggregator
June 12, 2023	Stone Point Capital	Wealth Enhancement Group	Aggregator
June 26, 2023	Emigrant Partners	MONECO Advisors	RIA
June 27, 2023	Rosemont	Landmark Management	RIA

[1] ECHELON Partners – 'ECHELON's RIA M&A Deal Report' (2023)

[2] Fidelity Investments – 'Fidelity Wealth Management M&A Transaction Report' (2023)

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

M&A Market Color
Q2 Top 10 Deals Announced

Buyer	Seller	Buyer Type	Seller AUM (billions)	Announcement Date	Transaction Rationale
Abu Dhabi Investment Authority, Bain Capital, Flexpoint Ford, Ares Management and the state of Wisconsin	CI Financial	PE	138.0	5/11/2023	Capital
IGM Financial Inc	Rockefeller Capital Management	PE	100.0	4/4/2023	Capital, Expansion
Atlas Partners	Mercer Global Advisors	PE	48.0	6/6/2023	Capital
Atria Wealth Solutions	Grove Point Financial	Broker	15.0	4/19/2023	Scale
Adviser Investments	Ropes Wealth Advisors	RIA	6.4	5/17/2023	Scale
Audax Private Equity	Congress Wealth Management	PE	5.1	4/28/2023	Capital
Carson Group	Northwest Capital Management	Aggregator	5.0	6/22/2023	Scale
Rosemont	Landmark Management	PE	4.5	6/27/2023	Capital, Succession
OneDigital Investment Advisors	StoneStreet Equity	Aggregator	3.8	6/26/2023	Scale, Capabilities
Modera Wealth Management	Parsec Financial	Aggregator	3.8	5/1/2023	Scale, Expansion

Several sources are used to create this report. M&A data is gathered from press releases, trade articles, and other secondary research sources. All publicly announced transactions involving the acquisition of an independent advisory firm are reviewed for inclusion. This data covers the period from April 1, 2023–June 30, 2023 and is ordered by AUM.

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

2023 M&A League Tables

RIA Investment Banking M&A Deal Count

First Half of 2023

1	Park Sutton Advisors (WHA)	12
2	Republic Capital Group	8
3	**Dynasty Financial Partners**	**4**
3	DeVoe & Company	4
3	Advice Dynamics Partners	4
4	Ardea Partners	3
4	ECHELON Partners	3
5	William Blair	2
5	Advisor Growth Strategies	2
5	Cambridge International Partners	2
5	FP Transitions	2
5	Colchester Partners	2
5	Wise Rhino	2

Several sources are used to create this report. M&A data is gathered from press releases, trade articles, and other secondary research sources. All publicly announced transactions involving the acquisition of an independent advisory firm are reviewed for inclusion. This data covers the period from January 1, 2023–June 30, 2023 and is ordered by number of M&A transactions announced.

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Re-Introducing Dynasty’s Investment Banking Client Referral Program

- Do you have a client that is getting ready to sell their business in the near term?
- Do they have a trusted relationship with an investment banker that knows their industry to help them?

Help your client’s business prepare for and execute a sale by leveraging our deep investment banking referral network

Benefits of Program Include

✓ Multiple partnerships to choose from regardless of transaction size

✓ Evaluation of different investment banking alternatives in partnership with Dynasty’s investment banking team

✓ Run an effective ‘bake off’ for your client to help identify the best investment banking team to support your client and their business

✓ Potential for advisor to receive compensation upon transaction close with applicable brokerage licenses

Select Investment Banking Partners

Transaction Size Minimum

Transaction Size Minimum	Partners
> $75mm	Goldman Sachs
$75mm	Houlihan Lokey
$50mm	Capstone Partners; Duff & Phelps
$25mm	TM Capital; True North Capital Partners LLC
$5mm	Mariner Capital Advisors

If you are interested in learning more, please reach out to us at DIB@dynastyfp.com

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Dynasty's Investment Banking Team

How we help RIAs grow

The Dynasty Investment Banking team offers three primary service offerings to RIAs to help them reach their next level of growth.

The first offering is transaction support. Our team offers objective sell-side and buy-side M&A support to help an RIA find a succession partner. With a deep bench of Wall Street professionals who have collectively over 50 years of M&A experience, our team can provide expert help with any number of transaction support related tasks including sell-side M&A, deal sourcing, transaction structuring and negotiations, due diligence support, and finalizing and closing deals.

The second service offering is valuations, which provides an objective view for an RIA owner's enterprise by leveraging Dynasty's experience and insight. These valuations have a variety of uses including: M&A level-setting, internal succession, performance benchmarking for founders, and ongoing governance.

The third way we can help is by providing liquidity to founders to achieve a certain business objective without giving up control of their business through three primary capital solutions, including our Traditional Credit, Revenue Participation Interest (RPI), and Minority Investment programs.

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Dynasty's Investment Banking Team

As a financial technology and value-add wealth management platform, Dynasty Financial Partners began its capital program nearly 9 years ago with our traditional debt program based on the needs of our clients.

Today, Dynasty's Investment Banking team has the premier diversified capital offering in the industry that is exclusively for its clients.

01 Traditional Credit

- Primarily term loan structure with revolving credit facility and guidance facility also available
- Covenant lite
- Interest only feature available
- Minimum term
- Amortization payments required
- Origination fees apply
- No use case restrictions

02 Revenue Participation Interest (RPI)

- Preferred equity structure that monetizes a percentage of revenue
- Innovative "true up" feature offers incremental capital to support growth
- Principals may repurchase revenue interest after a fixed period of time
- Minimum payment thresholds
- No use case restrictions

03 Minority Investment

- Noncontrolling, passive equity structure with minimum 6-year investment period
- Favorable liquidity options – ability for RIA to sell additional equity upon Dynasty exit
- Limited governance terms
- Minimum dividend
- No use case restrictions

All of our capital programs are designed exclusively for RIAs to support a firm's strategic growth objectives. Please reach out to us and let us know how we can be helpful in tailoring a capital solution that is right for you and your firm.

Dynasty's Investment Banking Team

Harris Baltch

Managing Director, Head of Investment Banking

Harris Baltch is responsible for leading Dynasty's Investment Banking division. Prior to joining Dynasty, Harris spent nearly a decade at UBS Investment Bank where he was an Executive Director in the firm's Financial Institutions Group. While at UBS, Harris originated, led and executed over $10 billion of strategic M&A and capital market transactions for companies in the asset and wealth management industry.

Earlier in his career, Mr. Baltch worked at PricewaterhouseCoopers LLP in the Banking and Capital Markets Group. He has over 15 years of financial services experience and earned his M.B.A. from the Johnson Graduate School of Management at Cornell University. He also received a B.S. in Accounting at Binghamton University and is a certified public accountant, registered in the State of New York.

Dylan Dierig

Assistant Vice President

Dylan spent 4 years as a M&A investment banker between Raymond James Financial and Falls River Group focusing on financial technology and healthcare industries. Executing on over $2 billion in sell-side M&A transactions for both private and public companies.

Dylan received a Masters of Science in Finance from Villanova University and a B.A. in Finance from the University of Kentucky.

William Ross, CFA

Assistant Vice President

William worked as an Associate for Emigrant Partners, focusing on sourcing and executing new investments.

William was previously a Fixed Income Portfolio Management Associate at U.S. Trust, managing over $1.0 bn of fixed income assets. Prior to U.S. Trust, he worked as an intern at Wolfe Research on the consumer staples team. William received his MA in Management from the University of St Andrews.

Victoria Cangero

Senior Associate

Victoria worked as an Associate for Dynasty, focusing on supporting client inquiries and quality assurance.

Victoria held internships with UBS' Investment Banking group in New York and JP Morgan's Corporate Banking group in Miami. Victoria graduated from Florida Southern College, majoring in economics and finance and minoring in accounting. She was also a starter on their women's golf team.

Amelie Russo, CFA

Senior Associate

Amelie worked as a Treasury Analyst for Intertape Polymer Group. She was previously a Corporate Banking Analyst at International Finance Bank, monitoring a portfolio of syndicated leveraged loans and sourcing investment opportunities. Amelie swam for the NCAA Division I team at West Virginia University where she received a M.S. and B.S. in Finance.

Sam Anderson

Managing Director, Head of Corporate Development

Sam Anderson is Head of Corporate Development at Dynasty Financial Partners LLC. Prior to joining Dynasty, Sam was Senior Managing Director and a member of the Management Committee at Medley Management Inc. Prior to joining Medley, Sam was Head of Commercial Finance M&A within the Financial Institutions Investment Banking Group at Goldman Sachs. Prior to joining Goldman Sachs, Sam was a member of the Investment Banking Financial Services Group at Bank of America. Prior to his time at Bank of America, Sam held various positions at Citi Smith Barney.

Jamie Gardiner

Director, Business Development

James is a member of Dynasty's Network Development team, focusing on existing RIAs and M&A/Capital. He consults with existing RIAs looking to leverage Dynasty's scale to identify synergies that lead to more profitable businesses.

Prior to joining Dynasty, James was Co-Founder and COO of TPW Investment Management. James helped lead JFG from a startup to one of the industry's leading ETF Strategists, which was acquired in late 2017.

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Get In Touch

We look forward to hearing from you, any questions may be subsequently featured in upcoming issues!

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