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FINANCIAL PARTNERS

Inside the Deal

M&A Newsletter

Q3 2024

A Brief Note from the Team

Welcome to the end of Q3 and the fifteenth edition of our quarterly newsletter, **Inside the Deal!**

Dynasty Financial Partners aims to educate our clients and our readers on the key trends we are seeing in Wealth Management M&A. We hope to provide you with specific insights into key trends, 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 fifteenth issue, we reflect and prognosticate on the dealmaking thus far in 2024. While 2021 and 2022 were typified by robust M&A growth, 2023 and 2024 (so far) are best characterized by M&A resilience. Even with the short-lived regional banking crisis and high(er) interest rates, many market participants are still taking the opportunity to recapitalize and double down on their acquisition strategy. A number have also decided to throw their hat in the ring, either for the first time or coming back after a hiatus for more. We do not foresee the M&A market changing anytime soon, despite the fear inducing headlines or concerns seen over the past year. By all accounts, capital continues to flow into the space and deal multiples remain competitive. This has created a sustained positive 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.

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
Managing Director, Head of Investment Banking

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

Market Review

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The primary theme so far this year has been the resilience of the wealth management M&A market. Interest rates have leveled off, albeit at a relatively high level, and major historic buyers CI Financial (now Corient Private Wealth) and Focus Financial Partners have only now begun to dip their toes back into the market. However, nothing has seemingly shaken RIA M&A buyer or seller sentiment.

This section ended 2021, 2022, and 2023 with the open question of whether the next year's M&A deal volume could surpass the all-time highs seen the prior year. The 2023 M&A market might not have sustained the multi-year acceleration, but the underlying fundamentals and drivers of the market provided sufficient resiliency. We see 2024 continuing this resilience and sustaining the historically strong deal flow.

Demand to acquire RIAs continues to be strong and valuation levels remain healthy, with a median of 9.9x EBITDA reported by some public sources.[1]

In Q3 2024, Dynasty tracked 60 total deals, representing 9.1% lower than Q3 2023 and 14.2% lower than 2Q 2024, and the 267 total transactions LTM represents a decrease of 1.5% year over year. Despite some industry participants commenting on M&A deal volumes slowing down meaningfully, 2023's total deal count was the highest all-time per our records, and 2024 so far remains in line, despite a slight downtick in Q3. Noticeable too was the continued recapitalization of aggregators and the higher median seller AUM deal size, particularly reflective in the Creative Planning and Homrich Berg recapitalizations.

So, as we look to the close out of 2024, we believe the primary considerations regarding the general health of the M&A market are threefold:

1. **Will the leverage levels of serial buyers challenge their ability to continue making acquisitions at the current pace?**
2. **How will the recent spate of recapitalizations affect the legacy serial acquirers?**
3. **Will new buyers continue to enter the market, and at what pace?**

Our hypothesis is the overall health of the market will remain strong given the amount of dry powder available in the market to consolidate what continues to be a highly fragmented industry. We now have a consistent and more mature class of RIA investors (with a number of new up and comers), with many firms who have recapitalized and set their sights on new inorganic growth initiatives.

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

[1] AGS - Inside the Deal Room (March, 2024)

Q3 2024 RIA M&A Deal Volume

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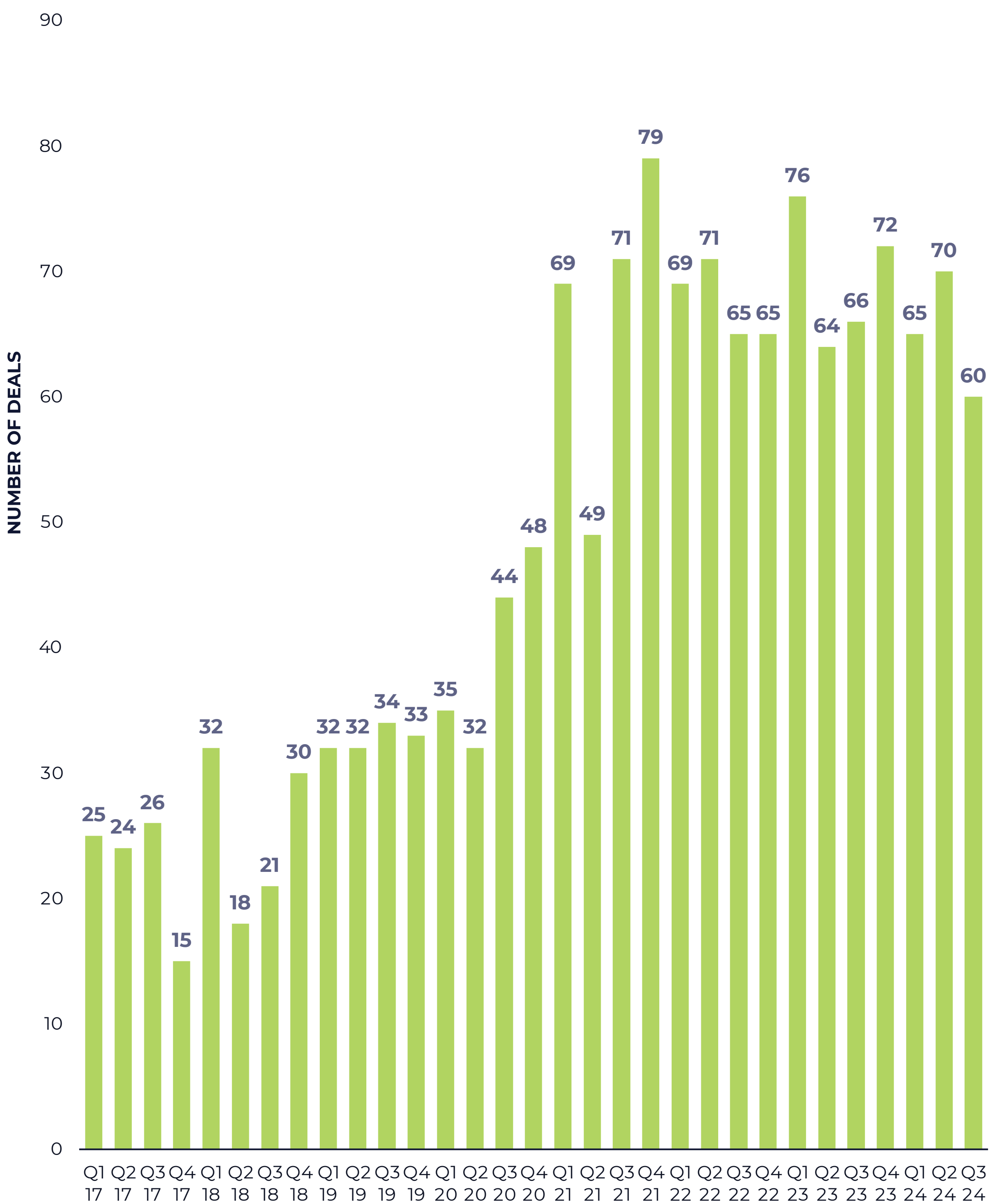

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific sources can be produced upon request.

Q3 2024 Key Themes

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6 The Future of Non-Competes in the RIA Space

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

2024 National Deal Data Breakdown

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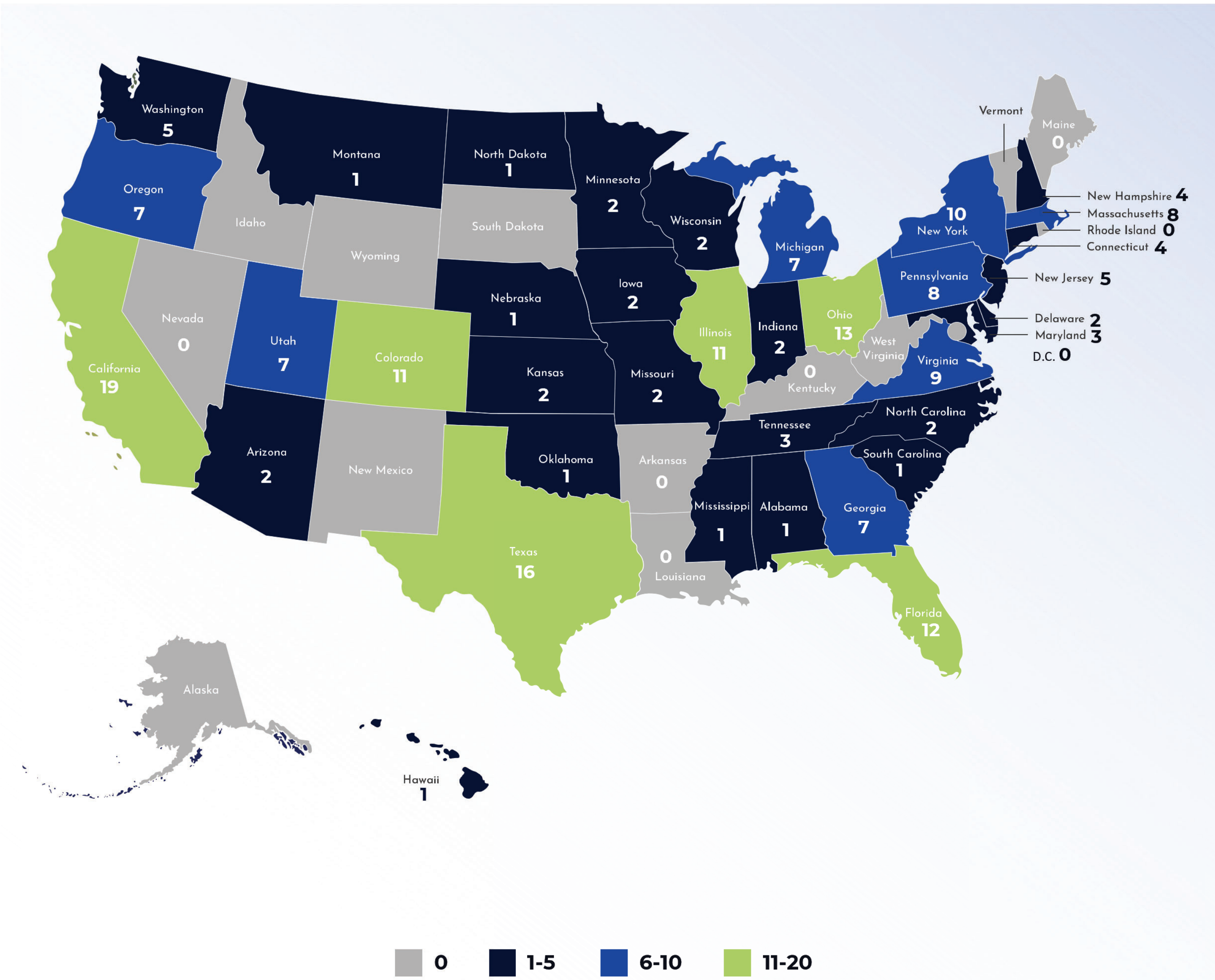

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific sources can be produced upon request.

Q3 M&A Spotlight

ABACUS LIFE
KNOW THE VALUE OF YOUR LIFE
NASDAQ | ABL

In July, **Abacus Life, Inc. (Abacus) (NASDAQ: ABL),** a leading buyer of life insurance policies and vertically integrated alternative asset manager specializing in specialty insurance products, acquired Carlisle Management Company SCA (Carlisle), a leading Luxembourg-based investment manager in the life settlement space. Dynasty Investment Bank acted as exclusive financial advisor to Abacus.

The acquisition of Carlisle, with approximately $2.0 billion in assets under management, signifies Abacus' continued expansion as a global asset manager by further enhancing its offering to institutional investors seeking attractive risk-adjusted returns with low correlation to other asset classes. Since 2008, Carlisle's team has been at the forefront of the life settlement industry, establishing the new standard for transparent transactions, maintaining integrity, and creating exceptional opportunities for life settlement investors and policyholders.

In August, Abacus announced a second transaction, the acquisition of FCF Advisors (FCF), a New York-based asset manager and index provider specializing in free cash flow-focused investment strategies. Again, Dynasty Investment Bank acted as exclusive financial advisor to Abacus. The addition of FCF brings Abacus closer to its goal of delivering comprehensive, lifespan-based financial advisory services and products.

Advised	Advised
FCF Advisors	ABACUS LIFE
On its sale to	*On its acquisition of*
ABACUS LIFE	Carlisle MANAGEMENT
2024	2024

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

Q3 M&A Spotlight

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In June, **Americana Partners**, an independent registered investment advisor (RIA) with over $7 billion in assets under management, launched Americana Partners International (API), dedicated to providing family office services to ultra-high net worth individuals in the Latin American market.

Headquartered in Houston, Texas, Americana sees an opportunity to lend its services, expertise, and relationships in the region as many of the wealthiest LATAM families have ties and business dealings in both Latin America and the United States, especially as they grow into 3rd and 4th generations. Jorge Suárez-Vélez was named CEO and Founding Partner of API. Formerly a Managing Director at Allen & Company Investment Advisors, the RIA arm of investment bank Allen & Co, Suárez-Vélez brings over 20 years of industry experience, and in particular deep expertise in Mexican political and economic issues to the firm.

In August, API welcomed Javier Altimari as Founder and Managing Partner. Mr. Altimari is based in Houston and sits on the API Board, along with Suárez-Vélez. Previously, Mr. Altimari was a Senior Director and Portfolio Manager at Oppenheimer & Co.

The launch of an international division is a testament to the strength of American Partners' platform and its goal to become the go-to platform for international financial advisors.

Advised

AMERICANA
PARTNERS

On its acquisition of

Americana International

2024

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

Demystifying EBITDA and its Role in RIA M&A

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Earnings before interest, taxes, depreciation, and amortization, or EBITDA, is an alternative, non-GAAP and unlevered measure of profitability to net income. On the one hand, EBITDA shows how well a company is managing its day-to-day operations, and, as such, is a fair indicator of a business's current state and potential - in some cases, even fairer than gross profit or net income. However, in other cases, EBITDA metrics can produce misleading results. Even Warren Buffett criticizes EBITDA as the only indicator of a company's financial health.[1]

So, is Adjusted EBITDA the answer?

Adjusted EBITDA is calculated by normalizing EBITDA for certain non-operating and one-time expenses – to more appropriately ballpark pre-tax cash flow from operations. In this way, a company's value can be estimated based on transactions that have taken place between other companies of similar size and characteristics. While it is regularly used to assess a company's profitability and financial performance, there is no universal standard for Adjusted EBITDA - the way it is calculated can vary from company to company - so how much value should be placed on this metric, especially during M&A due diligence?

PROs

The main advantage of using Adjusted EBITDA is that it provides a cleaner and more relevant picture of a company's operating health and performance by removing non-operating expenses that may not be directly related to a company's core business. Other advantages include:

Comparability: It is easier to compare the performance of companies within the same industry, regardless of their capital structure and tax situations

Useful for valuation: It is commonly used in valuation multiples (e.g., EV / EBITDA) to provide a standardized metric for assessing value across different companies

CONs

Adjusted EBITDA tends to be more subjective, and companies may adjust or manipulate the metric differently using various assumptions. By removing or understating certain expenses, for example, fluffy EBITDA metrics may provide an incomplete or inaccurate picture of a company's financial performance and distort valuation.

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

[1] WallStreetOasis, 'Warren Buffet – EBITDA'. (August 2024).

Demystifying EBITDA and its Role in RIA M&A

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Overall, while Adjusted EBITDA can be a useful tool for evaluating a company's financial performance, it should be used in conjunction with other financial metrics and should not be relied on as the sole indicator of a company's financial health. As a buyer, enlist the services of an investment bank to guide and educate you during a due diligence process. It is important to scrutinize a target's financial statements and ensure that you do not take every figure at face value. Analyze data closely and ask questions. As a seller, it benefits you to be transparent about how you adjust and provide details on each component of your modifications, an exercise that a third-party advisor, like an investment bank, can guide you through.

Acceptable Adjustments

In reviewing your financial health, or the health of a potential acquisition, part of the process involves surveying any addbacks or adjustments to EBITDA. To accurately assess true financial performance, buyers and sellers often make certain adjustments or addbacks to the EBITDA figure that are perfectly acceptable. For example:

Non-recurring Expenses

These are one-time costs that are unlikely to occur again in the future, and as such, they can be adjusted or added back to EBITDA to provide a more accurate representation of a company's ongoing profitability. Examples include litigation gains or losses; gains or losses on the sale of assets; severance costs; legal or consulting fees related to a transaction, such as an acquisition, regulatory matters, etc. In these cases, adjustments are made to account for the extraordinary nature of these events and provide a more accurate representation of a business's ongoing profitability.

Owners Compensation

In some RIAs, total owner expenses (compensation, benefits, T&E) might exceed market rates due to personal expenses flowing through the business. Some of these perks, such as country club memberships, donations or luxury vehicles, which are not essential for business operations, may be added back to provide a clearer financial picture.

Demystifying EBITDA and its Role in RIA M&A

Quality of Earnings

The advantages of hiring an advisor during a due diligence process are enormous. For a buyer, for example, the education begins with an assessment of a company's financial performance. Investment banking advisors are experts in analyzing factors that could skew the reality of a target's financial health.

One aspect of this diligence involves analyzing Adjusted EBITDA to reconcile whether a company's earnings are what they are purported to be, as well as to point out any red flags. What is recurring revenue, and what is not? Is the seller attempting to inflate the value of a business by ostensibly not taking a salary? Does the target provide vague descriptions and rationales behind certain adjustments?

An investment bank can help you decide during a due diligence process whether a quality of earnings analysis would be beneficial. A quality of earnings (QoE) analysis is a financial accounting process that evaluates a company's financial performance by removing distortions and anomalies from its earnings in order to assess a company's operational efficiency.

Even in the RIA space, the kinds of adjustments vary from one company to another, so it is to your benefit to have someone on your side to help guide the process. Dynasty Investment Bank is well-versed on both the buy and sell-side, so consider us as an expert resource and partner the next time you are involved in an M&A situation or conducting a due diligence exercise.

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

VC-Backed RIAs: New Breed of RIA, or Just a New Spin?

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Are technology-forward registered investment advisor (RIA) start-ups a new formula or are they putting a shiny new spin on technology and operations already offered to the RIA market?

Firms like Savvy, Farther, and Facet Wealth have burst onto the scene with splashy reports of venture capital (VC)-backed fundraises and promises to reshape the traditional wealth management model. Their thesis is that traditional wealth management firms need to be brought into the 21st century, a familiar start-up slogan and approach. These new VC-backed firms tout more efficient onboarding, real-time data, and, as they aggressively recruit advisors, revenue sharing, stock options, and high salaries as well.

But are firms like Savvy, Farther, and Facet truly revolutionizing the RIA market? Do they provide anything different, or superior, to other wealth management technology platforms? Are they truly different or just an alternative, like IBDs to wirehouses? How different are these fast-growing firms from the commonly seen in the marketplace roll-up – i.e. a business model that depends on an inorganic strategy of buying revenue to fast-track growth.

Savvy

Launched in 2021, Savvy considers itself to be an RIA with proprietary technology built in-house, as opposed to a wealth fintech company that builds technology to license out to other advisors. Savvy has built its own software for client onboarding, marketing, compliance, and back-office operations. Savvy claims that its homemade investment management technology can support any type of portfolio an advisor wants to offer. Advisors on its platform also have access to alternative investments via partnerships with third parties and can offer financial planning and wealth management services such as tax management and estate planning.

But does this inherently make Savvy unique compared to other firms operating in the space?

With its recent $15.5 million fundraising,[1] led by venture capital firm Canvas Ventures, Savvy plans to expand its software suite and automate more middle- and back-office advisor tasks, while also recruiting more advisors to its RIA. In addition, the firm is focused on expanding marketing capability support and boosting the number of its client services staff. To fund this, the firm conducted a Series A fundraising round that included investments from Thrive Capital, Brewer Lane Ventures, Index Ventures, The House Fund and Alumni Ventures, bringing its total VC funding to over $33 million.

Savvy

Aggressive recruiting has gotten Savvy into trouble, however. Mariner Wealth Advisors is currently suing Savvy after several of its advisors left for the firm, claiming they took with them valuable, confidential data and solicited Mariner customers, resulting in the firm losing $60 million in managed assets.

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

[1] BusinessWire, 'Savvy Wealth Completes $26.5 Million Series A Round to Modernize Wealth Management With Transformative AI Tools'. (August 2024)

VC-Backed RIAs: New Breed of RIA, or Just a New Spin?

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Farther

Farther

Billing itself as 'the new era of wealth management,' Farther, like Savvy, also develops its own proprietary software to create operational efficiencies for both advisors and their support staff. Their theory is that, by reducing the administrative burden, advisors can spend more time serving their clients and seeking new ones, thus growing stronger businesses. It believes its approach to the RIA space will reshape the future of wealth management by empowering the advisors on its platform to focus more time on generating returns rather than administrative work. This pitch, which is very similar to Savvy's, also is found in many of the most acquisitive aggregators in the market-better infrastructure, less administrative burden. Founded in 2019, Farther recently announced that it surpassed $3 billion in assets under management.[1] It has raised $53 million in capital from VC firms since its launch.

Facet Wealth

Facet.

Facet is described as "a fintech company that provides fee-only financial advice through a subscription-based model." Recently, Facet partnered with wealth.com to bring the company's estate planning offering onto its platform. In a press release[2] announcing the collaboration, wealth.com's co-founder and chief partnership officer, Tim White, said: "This isn't just a partnership; it signifies our shared commitment to democratizing financial planning and estate planning."

Democratizing – not a new term in the wealth industry

Dynasty Financial Partners alone has several trademarks around the idea of democratization of advice, including the Triangulation of Advice Model, where custody, advice and products are separated which reduces conflict versus a captive model where advice, custody and products are tied together.

So, are venture-backed wealth-tech firms "revolutionizing" the RIA space or are they simply continuing the track other firms that pioneered the creation of wealth management technology platforms and aggregators. Is it just the fact that they are 'venture-backed' that is new? The significant growth and momentum in the RIA space is clearly captivating venture capital and private equity interest, as evidenced by their increased investment in firms that serve the market, as well as RIAs themselves. Semantics aside, the most important ongoing theme is that wealth management clients continue to have access to more and more options than ever before, as do financial advisors.

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

[1] WealthManagement.com, 'Farther Reports $3B in AUM, New Hires'. (July 2024)
[2] BusinessWire, 'Wealth.com Partners with Facet, Bringing Modern Estate Planning Tools to Its Financial Ecosystem'. (May 2024)

Don’t Underestimate the ‘Softer Side’ of Succession Planning

For over a decade, the wealth management industry, and especially the independent registered investment advisor (RIA) space, has struggled to resolve the dual conundrum of succession planning and recruiting ‘next-gen’ advisors.

As far back as 2016, the Stanford Center on Longevity published a paper[1] advocating the “systematic framework for organizing, evaluating, and understanding the numerous factors involved in retirement decisions” - which boiled down to **three simple questions:**

> **“Can I afford to retire?” (Financial)**
>
> **“Do I need to retire?” (Health)**
>
> **“Do I want to retire?” (Psychological)**

While these questions certainly weigh heavily in retirement planning, the elephant in the room is that many advisors are uncertain of their identities outside of their profession. Many independent advisors have so much of their persona embedded in the fabric of the firms they have built that it can be heart-wrenching to let go. Neglecting or underestimating this ‘softer side’ of the retirement deliberation can have hard implications on the future of an RIA.

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

[1] Stanford Center on Longevity, ‘The Decision to Retire: Research-Based Recommendations for Individuals and Employees’. (September 2016)

Don’t Underestimate the ‘Softer Side’ of Succession Planning

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The Death Knells of Succession Planning

Outlook

Stemming from fear and anxiety, succession planning too often focuses on the ending of a chapter and not enough on the beginning of a new one. Shifting perspective mentally to what an advisor is moving toward, rather than leaving behind, needs to form the basis of the succession planning process. It is increasingly clear that the retirement decision process requires a holistic perspective. ‘Retiring to’ an engaging next stage of life rather than ‘retiring from’ an all-defining career needs to be the driving theme.

Ambiguity

The issues of succession planning and recruiting next-gen advisors are closely related. Very simply, as the industry’s leadership ages, not enough young advisors are choosing to enter the profession and restore balance. Further, in situations where a younger generation is present, mentoring is less prevalent, too often because senior advisors have a difficult time ceding control. As a result, it is becoming more common for frustrated potential successors to break away from the breakaways they joined because succession plans are either not in place, or worse, unfulfilled.

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

Don’t Underestimate the ‘Softer Side’ of Succession Planning

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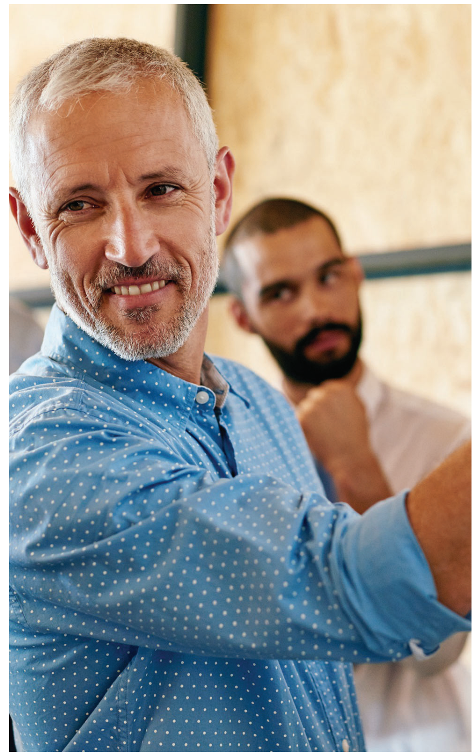
Finding the Success in Succession

Developing a plan that clearly defines who will take over your role and when you will exit can provide reassurance for your staff and, just as importantly, for your clients. Also, succession planning is often in tune with the more commonplace, less alarming, business continuity planning process, so in this way it can become part of a more comfortable discussion about the future of your RIA.



Be Part of the Succession Solution

There are several ways to structure a succession plan; however, the most important aspect is that it moves forward with certainty and clarity. For example, if you name a successor, empower him/her. At the end of the day, a healthy business and happy clients protect your earn-out.

Option 1:	**Internal Successor**. Choosing an internal successor – whether it’s a partner, a junior advisor, or a family member – ensures that the business’s culture and values will live on.
Option 2:	**External Successor**. Recruiting an external successor is necessary if you do not have a suitable candidate internally. The challenge in this scenario lies in finding someone who understands the firm’s vision and is a match with the culture.
Option 3:	**Merger**. Merging with another RIA enables you to expand the services you offer and leverage the complimentary resources offered by another firm. A merger could also make sense if you want to remain active in the business in an advisory capacity leading up to retirement.
Option 4:	**Sale**. Selling the firm is also possibility for RIA succession planning if there are no viable successors internally and you do not want to recruit externally.

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

Don't Underestimate the 'Softer Side' of Succession Planning

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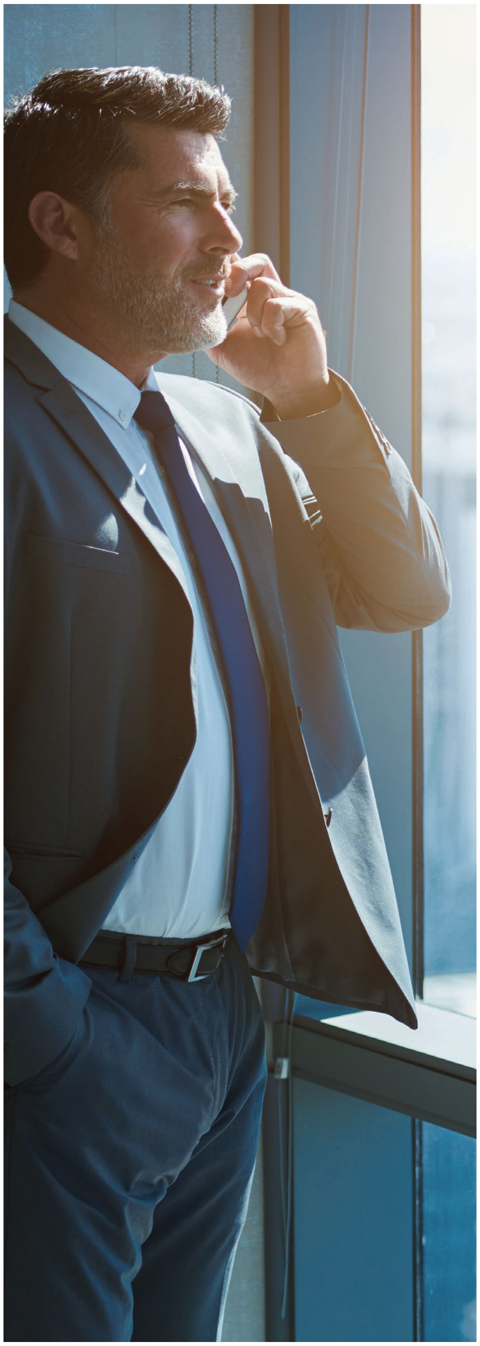

As an example, Dynasty Investment Bank recently advised Ascent Wealth Partners, a New York-based independent RIA, to help structure its succession plan. When a longtime advisor and equity owner of the firm decided to retire, Ascent viewed it as an opportunity to enable the next generation of leadership to become owners of the firm. Specifically, three next-gen advisors and leadership team members succeeded the retiring advisor, funding their buyout with a combination of bank debt and seller notes, based on an agreed upon valuation.

In the transaction, each next-gen advisor entered into a purchase agreement with the retiring advisor to fund the purchase. Advisor compensation (excluding distributions) was normalized to an equity ownership salary cap, and on a go-forward basis, the team of next-gen advisors would receive ownership distributions and remit seller note interest expense and principal to service the liability back to the original equity owner.

Taking the mental, as well as the day-to-day tactical and operational, into consideration is vital to ensuring that your RIA continues to thrive post-succession. A successful retirement program goes beyond facts and figures – it recognizes that powerful emotions years in the making can often supersede logical assessments. Succession planning navigates deeply personal feelings, so it is often beneficial to enlist the help and objectivity of a banker, succession planning or business planning consultant.

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Protect the Trust You've Built: Professionalize your RIA

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The demand for cutting-edge wealth management solutions is motivating many registered investment advisors (RIAs) to reevaluate their technology, operations, and overall offerings. As investors increasingly pursue holistic financial advice beyond the boundaries of traditional investment strategies, setting yourself apart is more important than ever for the future of your business.

To answer this call, many RIAs are "professionalizing" or trying to "corporatize" their businesses to boost value, upgrade efficiency, and position for expansion. The rapid growth of the RIA space has created this need to modernize and streamline to support ongoing growth and gain a competitive edge. The right tools for the job are imperative, and many RIAs are re-evaluating their technology and operations infrastructures in an effort to manage risk and scale their businesses as cost effectively as possible.

Build or Buy?

Superior technology platforms are essential for constructing a successful wealth management infrastructure. A strong 'tech stack,' or a set of software tools needed to operate an RIA, not only benefits your business, but can enhance the service and value you bring to current and potential clients. RIAs can either purchase software technology created by larger wealth managers; merge, acquire, or partner with wealth technology platforms; or build their own proprietary platforms.

For example, Fidelity offers an all-in-one technology stack as well as an advisory bundle for what they define as small ($250 million or less in client assets) and mid-sized ($250 million - $500 million in client assets) registered investment advisors that custody with the firm. Fidelity also offers an advisory bundle for firms that already have a tech stack but seek to layer on more sophisticated managed account or investment management tools to grow their practices.

Dynasty Financial Partners offers a purpose-built, secure, and fully integrated platform, providing advisors with a holistic 360-degree view of the essential data, analytics, and insights they need to efficiently manage and grow their businesses while seamlessly connecting with clients.

The firm has also developed an Outsourced Chief Investment Officer offering for advisors seeking to outsource investments and investment operations. And, with the launch of an investment bank dedicated to the RIA space, Dynasty powers its clients, as well as advisors and firms outside of its Network, to be intentional about achieving their corporate missions by helping to raising capital, performing buy or sell side mandates, executing on recruiting or succession strategies, and conducting valuations.

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

Protect the Trust You've Built: Professionalize your RIA

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On the M&A front, in January, Aptus Capital Advisors, an asset management-focused RIA and outsourced CIO serving individuals, small businesses, trusts, estates and RIAs acquired technology platform and back-office services provider LibertyFi.[1]

The combined firm, representing more than $20 billion in brokerage and advisory assets, offers a turnkey option to advisors seeking customized technology, investment management and operations support, including an "a la carte" menu of services that can be integrated into existing tech stacks.

Plancorp, a $6.5bn St. Louis-based RIA, bought a minority position in BrightPlan,[2] a business-to-business software as a service company and SEC registered investment advisor in April. Plancorp and BrightPlan had previously collaborated, and by making their partnership official, they now offer a digital financial planning platform, coupled with access to experienced financial planners.

Plancorp can provide more families with bespoke guidance on aspects of financial planning, and BrightPlan clients are able to access Plancorp advisors for financial planning services.

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

[1] BusinessWire, LibertyFi and Aptus Capital Advisors Merge to Create First-of-its-Kind Custom Asset Management Program'. (January 2024)
[2] CityWire, $6.5bn Plancorp takes minority stake in fintech platform BrightPlan'. (April 2024)

Protect the Trust You've Built: Professionalize your RIA

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In August, Clearstead Advisors acquired Baldwin Advisory LLC,[1] a tax and financial planning firm based in Virginia, to expand its service offerings in the Mid-Atlantic and nationally. Since private equity firm Flexpoint Ford secured a majority stake in Clearstead in 2022, it has aggressively acquired planning businesses, traditional RIAs, and family offices across the country.

Farther, a San Francisco-based RIA, chose to build its own in-house proprietary technology platform.[2] Its team of developers, product managers, and designers develop technology when existing alternatives do not serve their business and clients effectively. As their platform has increased in scale, they have invited advisors onto their platform to grow their books of business, as well as developed technology to ensure that client funds are invested in a more sophisticated way than existing solutions allow.

A strong technology and operations foundation differentiates your firm by assigning you a unique value proposition. Given the pressures on your time as an advisor imposed by changing market conditions, issues with existing infrastructure that cannot keep pace, etc., an experienced banker, consultant or advisor can help educate you on the options available to professionalize your business. Modernizing your infrastructure to meet – or exceed - industry expectations and demands will allow you to spend more time with your clients and provide them with better options and better service.

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

[1] Capital Group, 'The Acquistion of Baldwin Advisory in Flexpoint Ford-backed Clearstead's Second Deal in Norfolk this Year'. (August 2024)
[2] RIAIntel, 'When RIAs Start Building Tech, Priorities Shift'. (July 2024)

The Future of Non-Competes in the RIA Space

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In April 2024, United States District Judge Ada Brown in the Northern District of Texas blocked the Federal Trade Commission's (FTC) ban on non-compete agreements. She reasoned that the FTC, the agency that enforces anti-trust laws and regulates competition, "lacks statutory authority" to prohibit the long-used contracts preventing employees from getting new jobs at rival companies. In response, the FTC said that it "vows to keep fighting to stop non-competes," which it estimates affect approximately 20% of the U.S. workforce.[1] How each individual states, and the federal government overall, opt to police non-compete agreements is now under the spotlight, especially in the wealth management space.

The FTC's original ban would have enabled employees in any industry who are leaving their current employers to work for a rival company or start a competing business, thereby, according to the agency, promoting competition, protecting salaries, and encouraging innovation.

However, many business groups (including those in the wealth space) voiced concern that, without non-competes, they would be unable to safeguard confidential information and intellectual property. Non-competes have long served as a key bargaining chip underpinning merger and acquisition (M&A) activity, enabling a buyer to retain key employee's integral to the ongoing success of the firm and a seller to protect enterprise value.

While recent actions point to the unlikelihood of a blanket ban of non-competes, the increased debate around and attention to the issues involved in non-compete clauses have resulted in state laws limiting these agreements. California, Minnesota, North Dakota, and Oklahoma have banned non-compete clauses completely, and, beginning in 2025, Pennsylvania and Louisiana will limit non-competes specifically for certain health care workers. Further, 33 other states have restricted the use of non-compete clauses for lower-income workers.

Why it Matters

On one hand, the loosening of non-compete-type rules benefits the independent RIA space. Restrictive employment agreements are a huge barrier for advisors to hurdle if they want to leave broker-dealers, regional firms, or even large RIAs that enforce them. On the other hand, given the changing landscape of rules and restrictions, it is more important than ever to protect yourself – as an individual advisor or as a firm – by consulting experts who are current on the morphing laws, regulations, and industry trends. Whether structuring a deal, or considering a move yourself, having the right agreements and the appropriate safeguard in place is vital to protecting yourself and your business interests in the long run.

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

[1] Covington, 'Texas District Court Prohibits the FTC from Enforcing Its Non-Compete Ban Nationwide'. (August 2024)

The Future of Non-Competes in the RIA Space

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High Profile Battles in The RIA Space

Reflective of the recent news, several high profile non-compete enforcement battles have made headlines recently.

Hightower Advisors

A financial advisor whose firm was acquired by Hightower in 2019 sued the firm to keep it from enforcing multi-year non-compete and non-solicitation agreements. He argued that the overly restrictive clauses should no longer pertain to him since he left Hightower to operate independently in 2021. In addition, he cited the new California law prohibiting non-compete clauses. Hightower has countersued to enforce the agreement.

Hightower is no stranger to these non-compete battles. In 2023, the firm lost its fight to prevent an advisor from restarting an RIA he had previously sold. The advisor prevailed by successfully arguing that the non-compete agreements were void under Alabama state law.

Mariner / Avantax

A Montana-based advisor who recently joined Mariner Wealth Advisors is suing her former employer, Avantax, who is barring her from accepting any business from former clients, even if she does not solicit them. She argues that her original contract is with Honkamp Krueger Financial Services (HK), which was acquired by Avantax, and is not enforceable. This incident showcases the importance of reviewing, and ideally having an expert review, employment paperwork in the event of a merger or sale.

Ashton Thomas

Scottsdale, Arizona–based RIA Ashton Thomas Private Wealth, is accused of breach of contract by Timothy Feehan, founder and CEO of Summit Advisor Solutions, a Dallas-based turnkey asset management platform. Feehan maintains that Ashton Thomas, a former customer of Summit promised him equity in the firm, but never delivered. In this case, the lack of an agreement in writing created the opportunity for disagreement, something that would not have occurred under the oversight of an expert consultant or advisor.

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

The Future of Non-Competes in the RIA Space

Mercer Global Advisors
Late in 2023, Mercer sued ACG Wealth, which it acquired in 2021, and its founders, Jeffrey T. Shaver and Joseph Young, alleging they violated the asset purchase agreement and failed to ensure the retention of key personnel. Instead, according to Mercer, the advisors golfed at Capital City Club in Atlanta, ignored email messages, failed to bring on new clients, and skipped required meetings and trainings.

To prove this, in July, Mercer subpoenaed Capital City Club seeking documents related to the advisors' activities at the club. While even the most iron-clad, best-intentioned acquisition agreements are vulnerable to manipulation, this is an extreme example which emphasizes the need for proper protections in a deal for the buyer.

Non-Compete Lite

There are ways to protect your business without enforcing a formal non-compete clause. Alternative arrangements, such as non-solicitation agreements, confidentiality agreements, or 'garden leave' (a 'pause' during which an employee is paid to stay away from work) are quite common and effective. When dealing with evolving regulations, it is in your best interest to consult with an advisor who can protect you, help you structure a deal, or advise you in negotiating a future role.

M&A Market Color
Q3 Top 10 Deals Announced

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Buyer	Seller	Buyer Type	Seller AUM (billions)	Announcement Date	Transaction Rationale
TPG	Creative Planning	PE	375.0	9/30/2024	Capital
TPG	Homrich Berg	PE	18.0	9/26/2024	Capital
Rise Growth Partners	Bleakley Financial Group	PE	10.0	8/20/2024	Capital
IEQ Capital	EPIQ Capital Group	RIA	5.3	8/27/2024	Expansion
Corient (CI Financial)	Emerald Multi-Family Office	Aggregator	5.1	8/8/2024	Scale
Colony Group	Gratus Capital	Aggregator	3.8	7/16/2024	Other
Colony Group	HoyleCohen	Aggregator	3.6	8/5/2024	Other
World Investment Advisors (Pensionmark)	Boston Harbor Wealth Advisors	Aggregator	3.5	7/17/2024	Scale
Kovitz Investment Group Partners	Relative Value Partners	Aggregator	2.6	7/3/2024	Other
Hightower	Charles D. Hyman & Co.	Aggregator	2.3	9/13/2024	Capital

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 July 1, 2024–September 30, 2024 and is ordered by AUM.

Q3 2024 M&A League Tables

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RIA Investment Banking M&A Deal Count

1	Park Sutton Advisors (WHA)	13
2	**Dynasty Financial Partners**	**12**
3	Ardea Partners	7
4	Turkey Hill Management	6
5	Gladstone Associates	5
5	DeVoe & Company	5
7	Advisor Growth Strategies	4
7	William Blair	4
9	Colchester Partners	3
9	Advice Dynamics Partners	3
9	Berkshire Global Advisors	3

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, 2024–September 30, 2024 and is ordered by number of M&A transactions announced.

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 sources can be produced upon request.

Dynasty's Investment Banking Team

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As a financial technology and value-add wealth management platform, Dynasty Financial Partners began its capital program nearly nine 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.

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

Dynasty's Investment Banking Client Referral Program

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- 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
- 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

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 sources can be produced upon request.

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.

Sam Anderson

Managing Director, Chief Capital Officer

Sam Anderson is Chief Capital Officer 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.

Dylan Dierig

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.

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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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