



Behind Beacon Pointe's big PE deal

by Charlie Paikert for Financial Planning

Offering potential RIA sellers equity-only deals just wasn't enough in today's cut throat M&A market.

Beacon Pointe Wealth Advisors made only five all-equity deals from 2016 through 2019, while deep-pocketed rivals like Focus Financial Advisors, Mercer Advisors and Wealth Enhancement Group, armed with capital from private equity firms and the public markets, combined for 35 deals last year alone.

Beacon Pointe needed to recapitalize to keep up with those competitors and other PE-backed adversaries, including Hightower Advisors, acknowledges Matt Cooper, the firm's presi "We needed to enhance our balance sheet and have a better capital structure in order to compete," Cooper says. "It's a different M&A market than it was just three years ago."

Accordingly, Beacon Pointe has recapitalized with a minority stake provided by Abry Partners, a Boston-based private equity firm, which will provide the RIA with an undisclosed amount of additional capital for acquisitions, technology and operations.

Beacon Pointe Advisors recapitalizes

Assets under management: approx. \$8 billion

Offices: 16

States: 9

M&A deals since 2016: 6

Minority investor: Abry Partners

Source: SEC Form ADV; company data

Private equity capital has become the sine qua non for acquisitive RIAs, and Beacon Pointe Advisors is the latest advisory firm seeking inorganic growth to prove the point.

"Funding deals with equity and from cash flow is limiting," says industry consultant John Furey, principal of Advisor Growth Strategies. "[Private equity] will allow Beacon Pointe to do more acquisitions at scale."

The RIA also streamlined its operations by merging its advisory and M&A units into Beacon Pointe Advisors.

Partnering with Abry puts Beacon Pointe, which has 16 offices around the country and approximately \$8 billion in AUM according to the latest SEC Form ADV, back in the M&A game, says Cooper.

“We’re way more flexible now,” Cooper says. “We’re now in line with today’s world and have as much cash as we need where appropriate to match any offer.”

Beacon Pointe will also have to face Wall Street firms willing to pay hefty premiums to gain a foothold in the market. Goldman Sachs bought United Capital last year for \$750 million and Morgan Stanley is spending \$13 billion for E-Trade.

Working with New York investment banking firm Ardea Partners, Beacon Pointe, started its quest for a capital partner by looking at 19 firms, Cooper says.

“We wanted a partner that would be accretive beyond economics,” he recounts.

Abry partners Azra Kanji and James Scola proved to be a good match with Beacon Pointe CEO Shannon Eusy and Cooper. And Abry has a history of providing M&A capital to insurance brokerage firms, an industry whose fragmentation mirrored independent advisors.

What’s more, Abry proved to be the rare private equity firm willing to be a common shareholder with a minority position. “That’s very different from other top-tier PE firms who tend to want majority control with a preferred structure that guarantees them a return before anyone else,” Cooper says.

The recapitalization has already proved attractive to Ferrell Wealth Management, an Orlando, Florida-based RIA with around \$460 million in AUM just acquired by Beacon Pointe.

“We think we’ve been able to differentiate ourselves from our competition,” Cooper says. “We were able to maintain control and feel we can offer advisors the most collaborative environment.”