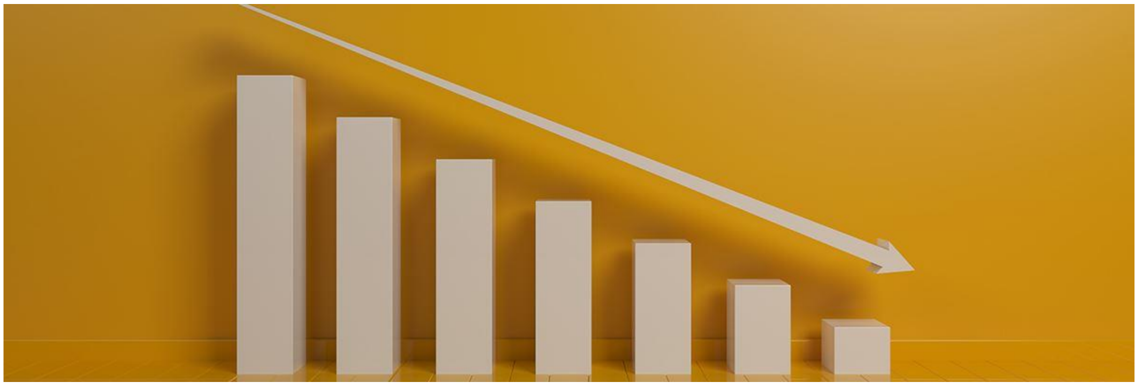
RIA dealmaking slips in February

by Ian Wenik for Citywire



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A Fidelity report found that RIAs pulled off seven mergers in February, down from January but in line with prior years' results.

The pace of RIA dealmaking slipped in February, according to a new report from Fidelity.

The RIA custodian found that RIAs completed seven transactions totaling $6.2bn in assets in the month, down from 13 transactions totaling $18.9bn in AUM in January.

However, the data is roughly in line with RIA M&A activity for February in prior years. Fidelity found in prior reports that RIAs completed nine transactions totaling around $7bn in assets in February of 2019 and eight transactions totaling around $6.5bn in assets in February of 2018.

Fidelity reported that strategic acquirers performed the majority of deals (four) for the month, including Captrust's acquisition of $654m Fountain Financial Associates and Wealth Enhancement Group's purchase of $1.4bn JOYN Advisors.

Increased market volatility in recent weeks could eventually depress dealmaking, though $11.5bn Beacon Pointe revealed earlier in the week that it had taken a minority investment from private equity firm Abry Partners and purchased $460m Ferrell Wealth Management.

'The past few weeks have been exciting. We're expecting a modest impact on the pace of deals, but not because of near-term valuation changes,' said Brandon Kawal, a principal at RIA consultancy Advisor Growth Strategies. 'Instead, you're likely to see sellers get nervous about notifying clients right now and performance thresholds, and buyers may revisit the terms and structure to ensure there is adequate risk-sharing. Overall, most deals include minimum performance, so that could slow things given the uncertainty that's out there right now.

‘I believe multiples will be more of a lagging indicator, so not enough time has elapsed to see a significant change. The bigger risk is we may see a short-term impact on aggregate valuations as we see declines in quarterly billing and cash flow. even if short-lived.’