



Fidelity reports three slowest months of RIA M&A on record

The amount of assets transacted and total number of deals have both dropped 45% relative to 2019.

By Ian Wenik for CityWire

A new report from Fidelity has put the coronavirus pandemic's effect on RIA dealmaking in full, bleak view.

According to the RIA custodian's wealth management transaction report for May, there have been just 30 transactions in the industry through the first five months of 2020, a 45% decrease in the number of deals from 2019, when 55 mergers were completed in that span.

The amount of assets acquired has also fallen starkly through the first five months of 2020, with just \$32.8bn in assets changing hands in that timeframe relative to \$59.7bn a year ago, a 45% drop.

Fidelity found that the first three months of the full-blown coronavirus pandemic in the United States — March through May — represented the three slowest consecutive months of RIA M&A activity since Fidelity began tracking the space in 2016. RIAs have completed just 10 deals totaling \$4.1bn in assets in that three-month span.

Despite the ugly recent numbers, Fidelity pointed out that there are still plenty of indicators that M&A activity will rebound.

'The data on announced deals is quite stark, as the coronavirus pandemic has continued to slow M&A activity through May,' said Scott Slater, a vice president of practice management and consulting at Fidelity. 'Nonetheless, buyers report that pipelines are active and full, with an expectation of a return to a robust M&A market as the economy recovers.'

The pandemic has also had little effect on the interest levels for minority buyers, such as private equity firms. Fidelity said that there have been nine minority investments in the RIA industry totaling \$84.8bn in assets in 2020, four of which occurred in May.

'We're seeing a lot more sellers who are looking at two different outcomes at the same time,' Emigrant Partners chief executive Karl Heckenberg said on a recent webinar organized by Advisor Growth Strategies. 'They're looking at "Should I sell a minority stake now and what are my options down the road?" or "Should I do a transaction now with someone like Captrust?"'

'That is an interesting shift, because previously we were used to dealing with sellers who were really looking at just staying independent.'

Heckenberg's firm has been one of the busiest investors during the pandemic: it has taken stakes in [three different firms](#) since March.