RIA Roundup: Edelman Revs its M&A Engine as 3 Dealmakers Lace into Big Spender CI

By Jake Martin for AdvisorHub

One of the largest registered investment advisory firms by assets in the U.S. is dipping a toe into the M&A waters.

Edelman Financial Engines said it will purchase Viridian Advisors, a Bothell, Washington-based RIA and tax planning firm managing $846 million in client assets. With $270 billion in customer assets and private equity backing from Hellman & Friedman, Edelman said it will make Viridian's office its fourth branch in the Seattle area, according to the Wednesday announcement.

Terms of the deal, which is expected to close in the second quarter, were not disclosed.

Edelman signaled it is restocking its M&A war chest in March when it announced it would sell a minority stake to private equity firm Warburg Pincus in a deal valuing the mega RIA at about $7.3 billion. Hellman & Friedman will remain the Santa Clara, California-based firm's majority owner.

Viridian, which serves more than 800 clients, will bring to its 1.3 million-client acquirer a team of about two dozen CPAs, financial advisors and associates. Its CEO, Adriel Tam, will join Edelman as the head of the national firm's tax practice, according to the announcement.

"The acquisition of Viridian marks the beginning of a new chapter of growth for our business, our clients and how we serve them," Larry Raffone, president and CEO of Edelman, said in a prepared statement.

The Viridian deal marks the first acquisition for Edelman Financial Engines, which itself was created through a 2018 merger between Warburg-backed 401(k) account manager Financial Engines and retail investor-focused RIA Edelman Financial Services.

Dealmakers Tweak CI Financial over 'Unheard of' Multiples

CI Financial's year-and-a-half shopping spree, during which the Toronto-based asset manager has amassed 18 RIAs and roughly $63 billion in U.S. assets via acquisitions and financing of sub-acquisitions, has drawn eyes and also some ire from competitors.

In a virtual M&A roundtable hosted Wednesday by RIA consultancy Advisor Growth Strategies, dealmakers at three private equity-backed serial acquirers dug at the Canadian firm over high multiples it's allegedly been paying for firms during its buying streak.

Mercer Advisors head of M&A Dave Barton and Captrust Financial Advisors head of wealth management M&A Rush Benton, and to a lesser-degree Mariner Wealth Advisors CEO Marty Bicknell, took some jabs at the emerging buyer with claims that CI was paying beyond fair price for its acquisition targets.

“We’ve got a major player right now in the RIA space, CI, that is buying up every firm in sight and paying frankly unheard of multiples for these businesses,” Barton said. “You better make sure that investment is actually going to accrete in value and not go down.”

Barton, whose Denver-based RIA roll-up [acquired 13 firms to add $6.2 billion in AUM in 2020], also took a jab at CI’s stock, noting it has been trading around $18 per share in U.S. dollar terms, down from $32 in 2014.

“Be careful what you’re locking into there, regarding your potential partner,” Barton warned potential sellers. He said undisciplined buyers could end up “way out over [their] skis and potentially overleveraged” in the event of an extended bear market.

Benton said CI made some purchases where sellers were “just trying to solve for succession and liquidity” although he acknowledged that CI had “bought some great firms,” that Captrust “would like to have bought.”

Captrust, which last year sold a 25% stake to private equity firm GTCR in a transaction valuing the Raleigh, North Carolina RIA at roughly $1.25 billion, has purchased 48 firms since 2006, including three announced deals this year.

For its part, CI Financial’s Chief Executive Kurt MacAlpine has [shrugged off] the firm’s growing debt in its bid for bigness. A spokesperson for CI declined to comment on the panel’s remarks, and MacAlpine, separately, did not respond to a request for comment.

During CI’s first-quarter earnings call last week, MacAlpine played it close-to-the-vest with analysts after being asked for the aggregate price of the company’s RIA transactions.

“It’s not something we will be disclosing proactively,” he said on the call.

CI most recently announced it would [acquire San Diego-based RIA Dowling & Yahnke], with $5.1 billion in client assets, marking its fourth deal since March with a multi-billion-asset firm.

Bicknell, not calling out the Canadian firm by name, said it’s a “competitive environment” and that valuations are what they are, but that culture fit has to come first.

“There may be a firm or two out there that, you know, their calculator doesn’t have a battery in it,” said Bicknell, whose firm has acquired 24 RIAs since its 2006 founding, said.

Bicknell last month said he was [selling a minority interest] in his Overland Park, Kansas-based RIA to Leonard Green & Partners, a Los Angeles-based private equity shop just getting its feet wet in the RIA space. As part of the deal, LGP will invest “significant capital” to fuel Mariner’s expansion-by-acquisition plans, Bicknell said, although Mariner has not announced a deal since March 2020.