



PE shop Kelso takes stake in \$12bn Savant

By Ian Wenik for CityWireUSA

Savant chief executive Brent Brodeski is retaining control of the RIA and its board of directors, and Cynosure is maintaining its minority stake.

Private equity firm Kelso & Company has taken a minority stake in RIA giant Savant Wealth Management, the companies revealed on Thursday.

Savant's existing private equity backer, the Cynosure Group, is maintaining its minority stake in the company, while Savant chief executive Brent Brodeski will retain control of the RIA and its board of directors.

'Part of it is to help accelerate our inorganic growth,' Brodeski said of the transaction. 'With a large investment being made, we now have a war chest of capital that can allow us to accelerate our technology enablement and tech stack. It can allow us to accelerate our marketing and branding spend.'

Specific financial terms of the transaction, which closed last Thursday, were not disclosed. However, Brodeski did indicate that the valuation is a hefty one.

'What I'm being told is that our multiple sets a new high-water mark and the terms are much better than some of the other large firms that have done high-multiple minority investments,' Brodeski said.

Rockford, Ill.-based Savant manages roughly \$12bn in client assets. The firm has 18 offices around the country, 12 of which are located in Illinois. Savant has acquired three RIAs since the start of 2020, most notably adding \$1.6bn Lincolnshire, Ill.-based Huber Financial Advisors in February of that year.

The firm is primarily employee-owned and has historically used equity to help fund its growth and M&A activity. Most notably, the firm went through a \$50m recapitalization in 2016, with Brodeski throwing in \$20m of his own money, 28 employees buying Savant equity and Cynosure coming in as an outside investor, along with several family offices.

Savant spent 2020 as a year of transition. After revealing the Huber transaction, it did not make another acquisition for the rest of the year as it integrated Huber's 28 employees. Savant took out a \$3.65m government-backed Paycheck Protection Program (PPP) loan in April of 2020, which Brodeski told Citywire at the time was done in part to protect employees who had taken out loans to purchase equity in the RIA.

Brodeski told Citywire on Thursday that Savant plans to use some of the capital raised through the Kelso transaction to help employees pay down that debt.

Later that year, Savant reorganized its management structure to give Brodeski a more active role overseeing the firm's advisors; the firm also rebranded from Savant Capital Management to Savant Wealth Management.

Savant said that 16 employees purchased equity in the RIA through the Kelso transaction and that all of its family office backers are retaining their investments.

Kelso will add two representatives to Savant's board of directors: partners Chris Collins and Steve Dutton.

'We believe Savant is highly differentiated in its markets with a unique value proposition, and it is well-positioned to continue to expand its comprehensive platform of integrated service offerings, serve as a trusted partner to clients and advisors, and accelerate its already impressive growth trajectory,' Collins said in a statement.

Headquartered in New York, Kelso is a middle-market private equity firm with a track record of investment in the asset management industry. The firm most notably backs American Beacon, a manager of mutual funds, separately managed accounts and alternative funds.

Kelso attracted headlines in late 2020 when one of its portfolio companies, Resolute Investment Managers, attempted to exercise an option it held to take control of ARK Invest, an asset manager whose tech-focused ETFs have recently surged in popularity. ARK and Resolute eventually reached an agreement which extinguished the option.

Brodeski, a longtime critic of private equity firms taking controlling stakes in RIAs, said that the terms of the transaction ensure that he will retain control of the company.

'They don't have the option to sell anytime soon,' Brodeski said of Kelso. 'In this case, we've got a seven-year runway before they can even consider exiting. And at that point, they can't make us sell the company and they can't make us buy them out.'

Meanwhile, Truist Bank is providing Savant with a new credit facility to fund additional M&A.

'Interest rates are extremely low and the terms are very good right now,' Brodeski said.

Savant said that Brodeski and Cynosure managing director Keith Taylor led the sale process, with Truist Securities and Advisor Growth Strategies providing financial advice. Ardea Partners served as Kelso's financial advisor.