



# ECHELON's RIA M&A Deal Report™

## U.S. Wealth Management | FY 2023 Executive Brief

### Key Trends and Highlights

#### Sustained M&A Activity Confirms New Dealmaking Era for Wealth Management:

In 2023, wealth management M&A activity remained elevated, achieving the second highest annual total recorded. There were 321 announced transactions, reflecting a modest 5.9% decline from 2022's record total of 340 deals. This activity was in the face of high borrowing costs as the federal funds rate surged to more than 20x March 2022 levels, peaking at 5.50% in July of 2023. The collapse of Silicon Valley Bank and the regional banking crisis that followed contributed to an even more stringent financing environment, fostering a risk-off attitude across markets. Wealth management M&A persisted and remained a bright spot in the general M&A market, underscoring the strong fundamentals of the industry and steadfast commitment of buyers to consolidate the highly fragmented industry.

#### Deal Size Increases and Minority Transactions Gain Traction:

In 2023, the average assets per transaction experienced 3.9% year-over-year growth. This increase was propelled by a succession of \$10-20 BN transactions announced throughout the year, since the overall quantity of deals involving at least \$1 BN in assets remained relatively stable compared to 2022. Another driver of deal size was the heightened creativity in deal structures, adopted by private equity firms seeking to get deals across the finish line in the face of higher borrowing costs. Structured minority investments, with features such as paid-in-kind and preferred distribution rights, have become more popular with buyers seeking to pursue deals in an environment that has seen LBOs more difficult to complete. Minority investments have grown at a 45% annual rate since 2019 and this topic will be explored more in our annual report.

#### Private Equity Investors Prove Staying Power:

Private equity investors continued to play a significant role in wealth management dealmaking in 2023. Financial sponsors were directly or indirectly involved in 61.1% of all disclosed transactions throughout the year. There were 27 direct investments by private equity firms in 2023, the same level as in 2022. Additionally, the size of these transactions grew significantly. In 2023, \$2.4 TN in assets were transacted in deals involving direct investment by private equity firms.

### Exhibits 1 & 2: Wealth Management Deal Volume Persists and Quarterly Deal Totals Bounce Back

Exhibit 1: Annual Wealth Management Transactions

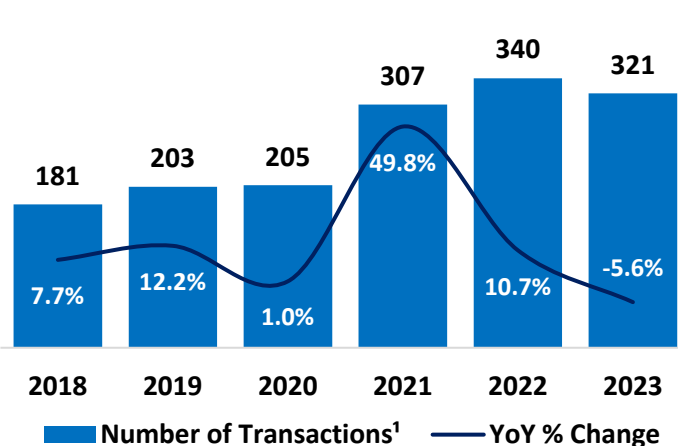
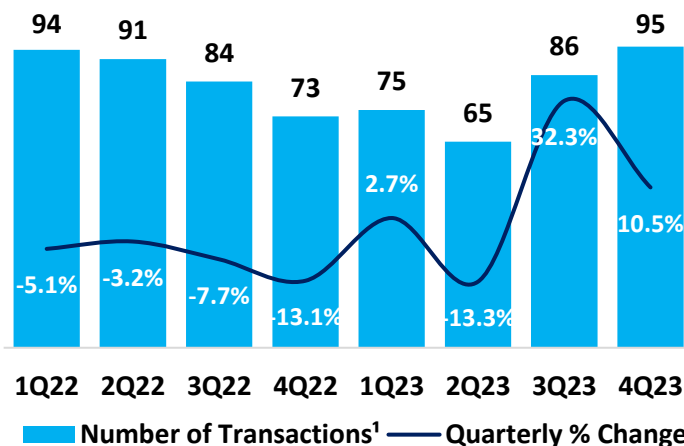


Exhibit 2: Quarterly Wealth Management Transactions



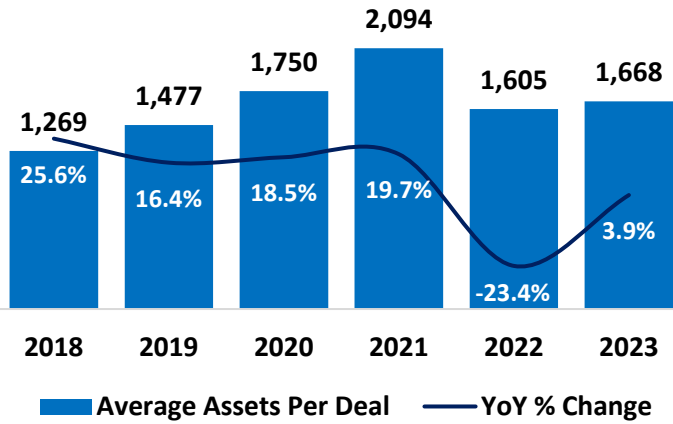
<sup>1</sup>Number of recorded transactions for 2023 is subject to change.

**Wealth Management M&A Activity Continues to Thrive:** As Exhibit 1 shows, 2023 was another year where annual deal volume eclipsed the 300 mark first achieved in 2021. The number of annual wealth management transactions has grown at a 5-year CAGR of 12.1% between 2018 and 2023. Readers should note that a more restrictive financing environment has led to a decrease in general M&A activity, however the wealth management industry has remained resilient due to factors such as fierce buyer competition, business model resiliency (wealth managers are tasked with protecting clients in times such as this), and demographic tailwinds. Exhibit 2 presents the quarterly deal count since 1Q22. 4Q23, with its 95 announced transactions, was the second most active quarter recorded by ECHELON.

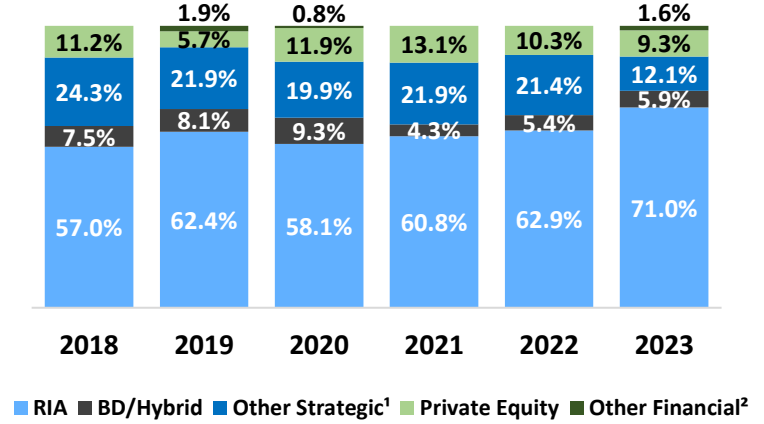


## Quarterly Deal Volume & Buyer Analysis

**Exhibit 3: Average Assets Per Deal<sup>1</sup> (\$MMs)**



**Exhibit 4: Breakdown of Acquirers by Firm Type**



<sup>1</sup>Excludes transactions involving over \$20 BN in assets.

<sup>1</sup>Other Strategic: Banks, Asset Managers, Insurance Companies, etc.

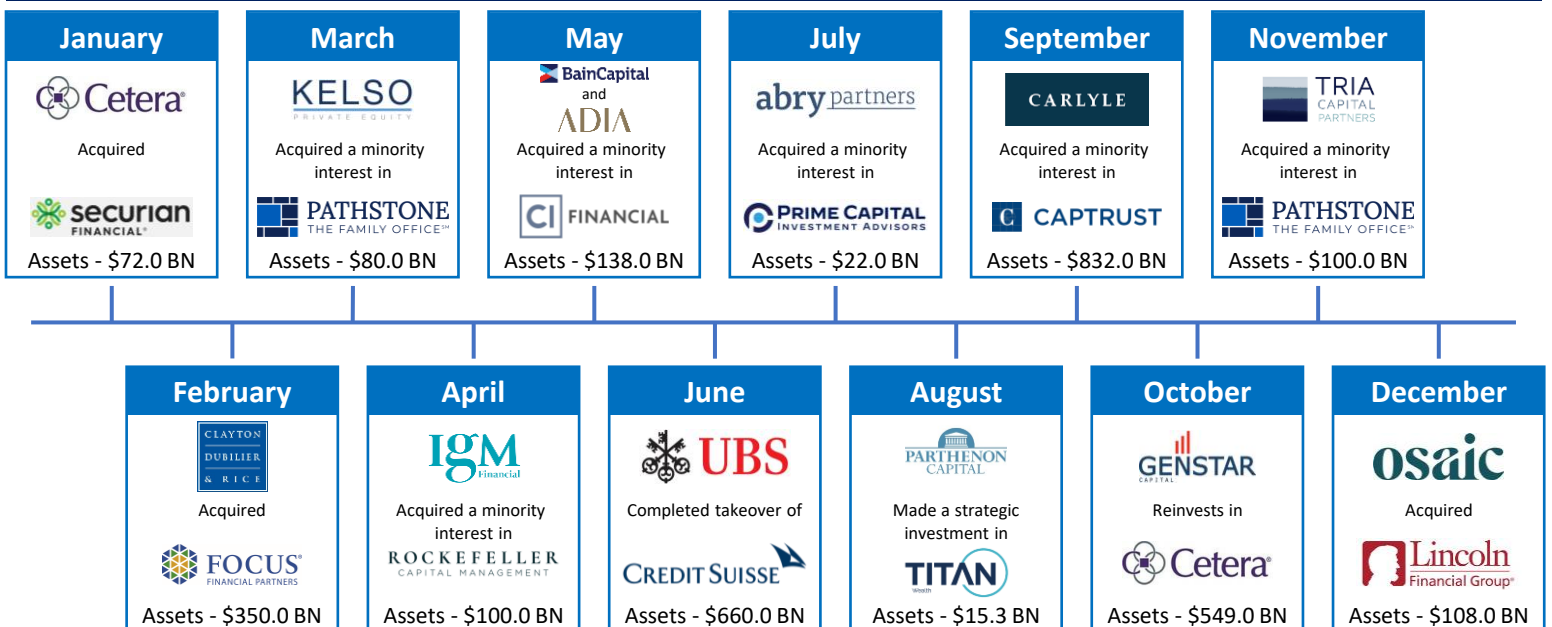
<sup>2</sup>Other Financial: Family Office, Holding Company, etc.

**Exhibit 4** illustrates that RIAs, especially the subset of private equity-backed players that run programmatic acquisition campaigns, continue to be the most active acquirers in the industry. In 2023, RIAs were involved in 228 transactions, amassing a total of over \$466.0 BN in assets. Insurance companies also played a substantial role in the year’s activity, acquiring \$178.0 BN in assets. This uptick was driven by AON’s acquisition of NFP’s \$75.0 BN in Assets, Canada Life Assurance Company’s acquisition of Investment Planning Counsel’s \$85.0 BN in Assets, and by active dealmaking by Hub International Limited.

In total, strategic acquirers (firms that make acquisitions to realize synergistic efficiencies, enter new markets, or introduce new offerings) announced 89.1% of transactions in 2023.

Financial acquirers, especially private equity firms, remain essential to the industry’s largest deals. Certain serial RIA acquirers, namely Pathstone and Mercer Advisors, received multiple rounds of private equity investment throughout 2023. Overall, financial acquirers invested directly in 35 firms in 2023, accounting for 10.9% of the year’s total deal volume and surpassing their 2022 total. Despite the low volume relative to strategics, financial acquirers transacted over \$2.5 TN in assets – pointing to the significantly larger deal average deal size for financial acquirers.

**Exhibit 5: Largest Monthly Transactions Throughout 2023**



**Exhibit 5** details the most significant transactions announced throughout 2023. Notable examples include The Carlyle Group’s investment in CAPTRUST. CAPTRUST has acquired 29 firms since receiving their investment from GTCR in 2020 and will add to this total using the capital from the Carlyle Group’s investment. In February, Focus Financial Partners was taken private by Clayton Dubilier & Rice in an all-cash transaction that valued Focus north of \$7.0 BN, representing a 36% premium on their share price.

**Exhibit 6** highlights the key transactions of 2023, ranking them based on assets. Among the noteworthy deals is Cetera's acquisition of Avantax, an all-cash transaction valued at approximately \$1.2 BN. This transaction enhances Cetera's succession planning capabilities for advisors and expands its existing tax and wealth management offerings. For the first time, several key RIA acquirers announced multiple rounds of private equity funding in a single year. Pathstone successfully raised capital from Kelso & Co. and TRIA Capital Partners in March and November, respectively. Mercer successfully received investments from Harvest Partners and Atlas Partners in February and June, respectively. Note the significant increase in Pathstone’s AUM just in the time between these deals.

## Exhibit 6: Top 10 RIA M&A Transactions in 2023

Seller	Buyer	Buyer Type	Seller Assets (\$ MM)	Date
CAPTRUST	The Carlyle Group	Private Equity	832,000	9/19/2023
Cetera Financial Group	Genstar Capital	Private Equity	549,000	10/4/2023
Focus Financial Partners	Clayton, Dubilier, & Rice	Private Equity	350,000	2/27/2023
CI Private Wealth	Abu Dhabi Investment Authority, Bain Capital, Flexpoint Ford, Ares Management	Private Equity	138,000	5/11/2023
Lincoln Financial Group (Wealth Management Business)	Osaic	RIA	108,000	12/24/2023
Pathstone <sup>1</sup>	TRIA Capital Partners (November) Kelso (March)	Private Equity	100,000 80,000	11/13/2023 3/6/2023
Avantax	Cetera Group	Hybrid RIA	83,000	9/11/2023
Wealth Enhancement Group	Stone Point Capital	Private Equity	67,000	6/12/2023
Mercer Advisors <sup>1</sup>	Atlas Partners (June) Harvest Partners (February)	Private Equity	48,000 46,000	6/6/2023 2/28/2023
Goldman Sachs PFM	Creative Planning	RIA	29,400	8/28/2023

<sup>1</sup>Received two investments in 2023

Source: Company Reports, SEC IARD, ECHELON Partners Analysis.

**Exhibit 7** ranks the most active acquirers by the number of deals announced in 2023. Mercer Advisors and Wealth Enhancement Group maintained their roles as major players in the wealth management M&A marketplace. Both ranked among the top five buyers by deal volume in 2021, 2022, and 2023. Notably, Savant Capital Management secured a position on the list for the first time, announcing nine transactions with a total of \$8.5 BN in assets, including three deals involving over \$1.0 BN each. CAPTRUST also made nine acquisitions that added \$16.3 BN in assets to its platform.

## Exhibit 7: Top Five Most Active Acquirers in 2023

Buyer	Buyer Type	Total Assets Acquired (\$ MM) <sup>2</sup>	Total Number of Deals <sup>2</sup>	Average Assets Per Deal (\$MM) <sup>2</sup>
Wealth Enhancement Group	RIA	11,531	16	721
Mercer Advisors	RIA	4,185	11	380
CAPTRUST	RIA	16,268	9	1,808
Savant Capital Management	RIA	8,540	9	949
Creative Planning	RIA	61,083	8	7,635

<sup>2</sup>This breakdown does not include sub-acquisitions made by the buyer’s partner firms.

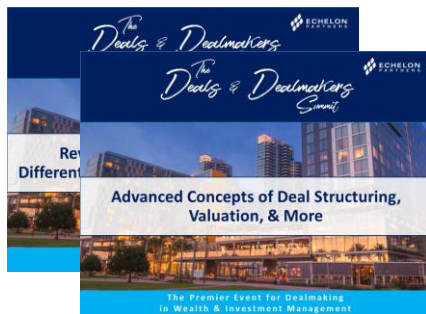
## Coming Soon: The 2023 ECHELON RIA M&A Deal Report



**ECHELON will release the full version of *The 2023 RIA M&A Deal Report* in February.**

**The report will build on the data and analysis delivered in this *executive brief* and will provide dealmakers with an effective tool to understand the *current and future state of the RIA M&A environment*.**

### The Deals & Dealmakers Summit



**The 2023 Deals & Dealmakers Summit witnessed record setting attendance of dealmaking experts and industry leading speakers. ECHELON is excited to announce that the DDM Summit will return in 2024 and we hope to see you there. Details to be announced soon!**

### ECHELON's Recent Track Record of Success

 has announced its sale to  ECHELON served as the exclusive financial advisor to PRW and provided: <b>Sell-Side M&amp;A Advisory</b> 	 has announced its sale to  ECHELON served as the exclusive financial advisor to Align and provided: <b>Sell-Side M&amp;A Advisory</b> 	 has announced its sale to  ECHELON served as the exclusive financial advisor to PAM and provided: <b>Sell-Side M&amp;A Advisory</b> 
 has announced its sale to  ECHELON served as the exclusive financial advisor to Syntronic and provided: <b>Sell-Side M&amp;A Advisory</b> 	 has announced its sale to  ECHELON served as the exclusive financial advisor to Integrated Wealth Advisory and provided: <b>Sell-Side M&amp;A Advisory</b> 	 has announced its sale to  ECHELON served as the exclusive financial advisor to Earth Equity Advisors and provided: <b>Sell-Side M&amp;A Advisory</b> 

### About ECHELON Partners

ECHELON Partners is a Los Angeles-based investment bank and consulting firm focused exclusively on the Wealth and Investment Management industries. ECHELON specializes in supporting several influential client groups:

