



ECHELON's RIA M&A Deal Report™

U.S. Wealth Management | FY 2022 Executive Brief

Key Trends and Highlights

Record-Breaking Wealth Management M&A Continues, but Quarterly Volume Declines:

In 2022, the wealth management M&A market reached new heights, with 340 transactions announced, representing a 10.7% increase from the previous record of 307 deals in 2021. Strategic buyers and consolidators were the driving force behind this growth, accounting for 42.6% of all deals in 2022. This year achieved record transaction levels despite the slowdown in global M&A, further exhibiting buyers' desire to proceed with their efforts to consolidate the hyper-fragmented wealth management industry. Although deal activity was robust in the aggregate, transaction volume progressively declined quarter-over-quarter. From the first to fourth quarter, deal activity declined from 94 to 71 transactions, indicating a decline of 24.5%. Fortunately, we are already seeing signs of increased volume to start 2023.

Deal Size Declines, but Remains Above Pre-2020 Levels:

The average AUM per deal decreased by 23.3% year-

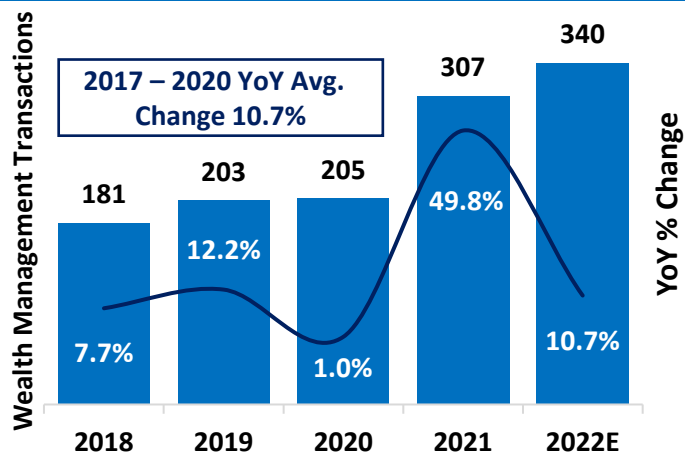
over-year in 2022 as buyers sought out smaller opportunities. There was also a significant reduction in the number of deals involving firms with over \$1 BN in assets. The record setting deal activity of 2022 was particularly impressive in the face of a global slowdown in M&A and rising cost of capital, further exhibiting buyers' interest in the wealth manager business model.

Private Equity Doubles Down on Consolidation Efforts:

Nearly all of the most active strategic acquirers are backed by prominent private equity firms. If 2021 was an indication that PE firms saw opportunity in the space, 2022 proved that the trend is here to stay. In 2022, 69.7% of all transactions were either a direct investment from a private equity firm or involved a private equity-backed buyer. These firms are staffed with robust M&A teams, have supreme access to capital, and substantial integration resources, allowing them to complete large deals, like Genstar's recapitalization of Cerity Partners, in times of economic uncertainty and rising interest rates.

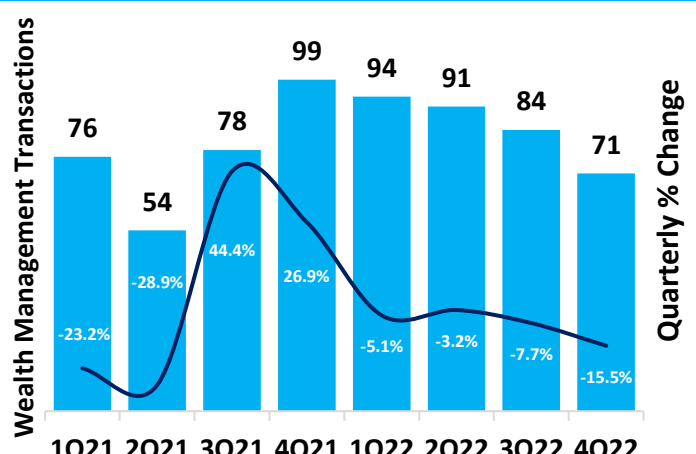
Exhibit 1: Wealth Management M&A Continues to Grow for Tenth Consecutive Year

Year-over-Year Wealth Management Transactions



¹Number of recorded transactions for 2022 is subject to change.

Quarterly Wealth Management Transactions



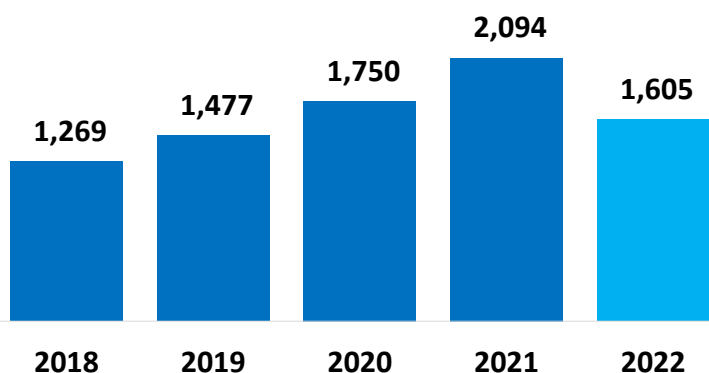
Wealth Management M&A Activity Continues to Thrive: The wealth management M&A market set a new record for the tenth consecutive year with 340 announced transactions in 2022. Although market declines and rising interest rates have led to a decrease in M&A activity across other sectors, the wealth management industry has remained resilient from a deal volume perspective (as seen in the 10.7% year over year annual growth in volume presented above). That said, ECHELON has observed a declining quarterly count since the record-setting quarterly volume observed in 4Q21. Readers should note that 4Q21 experienced heightened transitory catalysts for M&A, such as prospective capital gains tax changes, which resulted in above trend growth for 2021's deal count (49.8% year over year relative to the 2017 – 2020 average annual growth rate of 10.7%). 2022 was a reversion to the mean in terms of deal volume growth in our sector.



Exhibit 2: Quarterly Deal Volume & Buyer Analysis

Average Assets Per Deal¹ (\$MMs)

¹Excludes transactions involving over \$20 BN in assets.



Breakdown of Acquirers by Firm Type

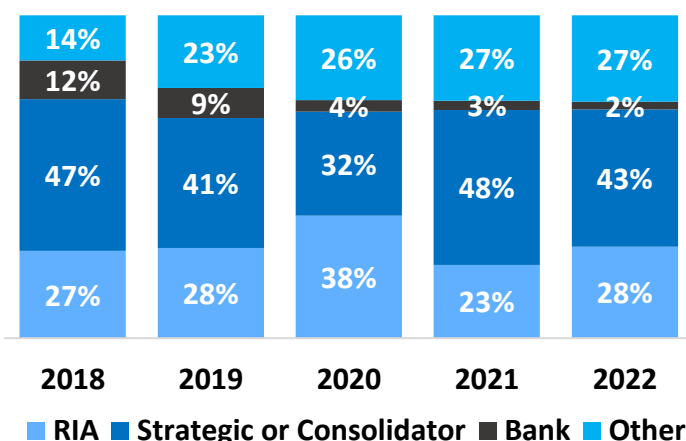
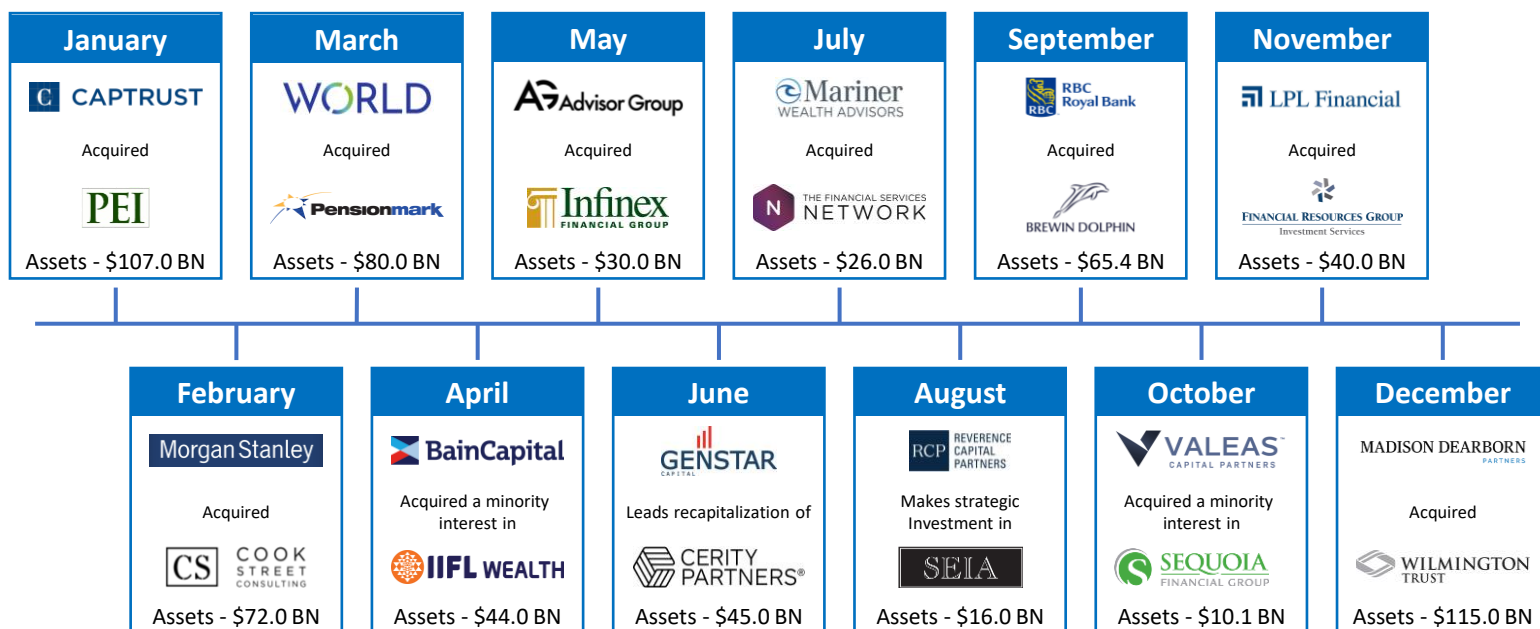


Exhibit 3: Largest Monthly Transactions Throughout 2023



2022 saw some of the largest wealth management M&A transactions to date and **Exhibits 3 & 4** present this year's most notable transactions. These included CAPTRUST's purchase of \$107 BN in assets Portfolio Evaluations Inc. with \$107 BN in assets, Advisor Groups' acquisition of \$30 BN in assets Infinex Financial Group, and Mariner Wealth Advisors' acquisition of The Financial Services Network, a firm with \$26 BN in assets.

Private equity interest also remained strong throughout 2022 with Genstar, Bain Capital, Reverence Capital Partners, and Valeas Capital Partners all making headlines. Of the 339 transactions announced in 2022, 69.7% involved either direct investment from private equity firms or private

equity-backed buyers with access to capital and deal acumen serving as an advantage in deal processes. ECHELON now estimates over 100 private equity backed platforms in the wealth management space, all competing for tuck-in acquisitions and breakaway transactions.

Q4 also saw one of the year's largest deals, with Madison Dearborn Partners carving out Wilmington Trust's Collective Investment Trust business with \$115 BN in CIT assets. The business was formerly owned by M&T Bank and will become a standalone independent entity under Madison Dearborn ownership. We expect more transactions in 2023 as financial sponsors look to carve out wealth management companies from diversified financial services.

Exhibit 4: Top 10 RIA M&A Transactions in 2022

Seller	Buyer	Buyer Type	Seller Assets (\$ MM)	Date
Pensionmark Financial Group	World Insurance Associates	Other (Insurance)	80,000	3/17/2022
Brewin Dolphin	Royal Bank of Canada	Bank	65,390	9/27/2022
Cerity Partners	Genstar Capital	Other (Private Equity)	45,000	6/8/2022
IIFL Wealth Management ¹	Bain Capital	Other (Private Equity)	44,000	4/1/2022
Financial Resources Group Investment Advisors	LPL Financial	Strategic or Consolidator	40,000	11/3/2022
The Financial Services Network	Mariner Wealth Advisors	Strategic or Consolidator	26,000	7/19/2022
Hefren-Tillotson	Baird	Bank	18,000	1/24/2022
Signature Estate & Investment Advisers	Reverence Capital	Other (Private Equity)	16,000	8/17/2022
Lion Street	Integrity Marketing Group	Other (Insurance)	15,000	1/25/2022
Insigneo Financial Group	Bain Capital, J.C. Flowers & Co.	Other (Private Equity)	13,000	6/13/2022

¹Denotes a minority investment.

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

Insurance companies and private equity firms accounted for six of the top ten RIA transactions and 13.6% of all transactions in 2022. Direct investment from private equity firms remained significant, as evidenced by Genstar Capital's recapitalization of Cerity Partners, Bain Capital's purchase of IIFL Wealth Management in India (which is an example of domestic buyers completing acquisitions overseas), and Reverence Capital's strategic investment in Signature Estate & Investment Advisers. Insurance companies backed by private equity firms, such as Integrity Marketing Group and Hub International, also played a significant role in 2022, acquiring a total of \$57.4 billion in assets (an increase of \$42.9 billion from their 2021 total).

Banks continue to see growth potential in RIAs. RBC's \$1.6 BN acquisition of Brewin Dolphin, one of the largest wealth managers in the U.K., displays their effort to enhance their footprint in the U.K. through the purchase of an established firm. The transaction jumps RBC to the #3 market position in the UK and Ireland, in addition to being the Canadian market leader. In another key growth play, Baird's acquisition of Hefren-Tillotson (\$18 BN in assets) expands the bank's advisor ranking and grows their presence in the western Pennsylvania region exponentially.

Exhibit 5: Top 5 Most Active Acquirers in 2022

Buyer	Buyer Type	Total Assets Acquired (\$ MM) ²	Total Number of Deals ²	Average Assets Per Deal (\$MM) ²
Mercer Advisors	Strategic or Consolidator	13,260	20	633
Wealth Enhancement Group	Strategic or Consolidator	8,944	14	639
Creative Planning	Strategic or Consolidator	14,982	13	1,152
Mariner Wealth Advisors	Strategic or Consolidator	39,917	11	3,629
Merit Financial Advisors	RIA	4,816	11	438

²This breakdown does not include sub-acquisitions made by the buyer's partner firms.

In 2022, Strategics and Consolidators continued to acquire firms at a rapid pace. Mercer Advisors, Wealth Enhancement Group, and Mariner Wealth Advisors continued to be major players in the wealth management M&A market, remaining in the top five buyers by deal volume in both 2021 and 2022. These firms alone have been involved in a total of 89 deals over the past two years, representing 13.8% of all transactions announced throughout that time period. Merit Financial Advisors, backed by Wealth Partners Capital Group and HGCC, is a relatively new acquirer that quickly became one of the most active in the industry. Prior to 2022, it had announced only one transaction.

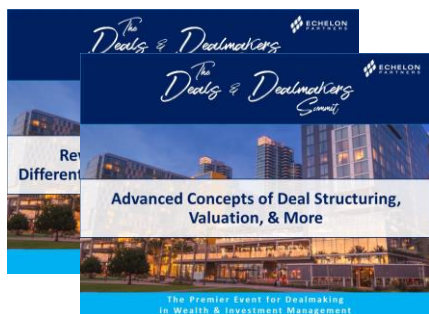
Coming Soon: The 2022 ECHELON RIA M&A Deal Report



ECHELON will Release the Full Version of *The 2022 RIA M&A Deal Report* in early 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 2022 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 2023 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 Earth Equity Advisors and provided: Sell-Side M&A Advisory 	 has announced its sale to  ECHELON served as the exclusive financial advisor to Erman Retirement Advisory and provided: Sell-Side M&A Advisory 	 has announced its sale to  ECHELON served as the exclusive financial advisor to Hayes Financial and provided: Sell-Side M&A Advisory 
 has completed its sale to  ECHELON served as the exclusive financial advisor to Bohmer Kilcoyne and provided: Sell-Side M&A Advisory 	 has announced an investment from  ECHELON served as the exclusive financial advisor to SEIA and provided: Sell-Side M&A Advisory 	 has completed its sale to  ECHELON served as the exclusive financial advisor to Heber Fuger Wendin and provided: Sell-Side M&A Advisory 

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:

