

Fidelity Quarterly M&A Review

As firms responded to the coronavirus pandemic, the second quarter opened with some of the lowest M&A activity levels recorded since Fidelity began tracking in 2016, but closed with a deal count comparable to 2019's record-setting pace. June's 14 transactions averaged \$1.5B AUM and restored the momentum kicked off in January and February, when there was an average of 10 transactions and \$1.4B AUM per month. The return of larger and more frequent deals signals the revitalization and potential acceleration of an already full M&A pipeline.

Transaction Overview

YTD Q2 2020

■ RIAs ■ IBDs ● Total



RIAs

Number of Deals	44
Client Assets (Billions)	\$53.4
Transactions ¹	▼ 20%
Client Assets ¹	▼ 10%

¹ Compared to YTD Q2 2019

IBDs

Number of Deals	2
Client Assets (Billions)	\$3.5
Transactions ¹	▼ 67%
Client Assets ¹	▼ 99%

¹ Compared to YTD Q2 2019

Key Highlights

Following a slowdown, signs show rapid RIA M&A will likely resume.



In the **first two months** of 2020, total assets were **up 158%** and the number of deals were equal, compared to the same period in 2019.

From March through May, there were 10 deals representing \$4.1B AUM, which are **record-low transaction and AUM** totals for any three-month period and eclipse the prior record lows of 18 deals and \$5.9B AUM.

Evidence of resuming activity, June's 14 deals represent over **4X** more assets than the 10 deals completed throughout March, April, and May.

Eight Active Serial Acquirers

These firms completed multiple deals in the first half of 2020:



- Cerity Partners
- Dynasty Financial Partners
- Focus Financial Partners/
Buckingham Strategic Wealth
- Frontier Wealth Management
- The Mather Group (TMG)



- CAPTRUST Financial Advisors
- Mercer Advisors



- Creative Planning

Dealmakers See Appeal in Minority Stakes*

In the first half of 2020, a number of RIAs with \$1.0B+ AUM received minority investments, including:

	RIA	AUM (\$B)	MINORITY INVESTOR
February	Creative Planning	\$50.0	General Atlantic
	True Capital Management	\$1.2	Cresset Capital Management
March	Beacon Pointe Wealth Advisors	\$11.5	Arby Partners
April	Dynasty Financial	\$32.0	1248 Holdings
	Stratos Wealth Advisors	\$15.0	Emigrant Partners
	The Cabana Group	\$1.1	CI Financial
May	Parallel Advisors	\$3.0	Emigrant Partners
	Pure Financial Advisors	\$2.5	Emigrant Partners
	Congress Wealth Management	\$2.3	CI Financial
	Osborn Williams & Donohoe	\$1.4	HighTower Advisors
June	CAPTRUST Financial Advisors	\$45.0	GTCR

RIA Transactions by Quarterly Totals

■ Total AUM (\$B) — Median Transaction Size



Quarter in Review

After several months of small intermittent deals, the end of the second quarter indicates a rebound in the large-scale and fast-paced M&A market seen throughout 2019. June had 14 RIA transactions representing \$20.6B, which is the second highest number of deals in a month and the fifth largest monthly AUM total. Though transaction and AUM totals have dropped in comparison to the first half of 2019, the flood of new deals in June is evidence of a full pipeline.

Both Orion Advisor Solutions' purchase of \$24.5B Brinker Capital* and the acquisition of Personal Capital by Empower Retirement are further evidence that the fast-paced M&A market, influenced heavily by strategic and serial acquirers, will return. Aided by a low interest rate environment, M&A's swift revival highlights the ubiquitous nature of its driving forces: substantial private capital, succession pressure, and the demand for improved platforms, scale, and talent. Some leaders in the space expect activity to

accelerate after the coronavirus pandemic magnified and added to the challenges that RIAs were already navigating.

The first half of 2020 also highlighted the interest that well-capitalized investors have in minority stakes. During the first half of 2020, 11 RIAs with over \$1.0B AUM received minority investments. In addition to capital, many of these investors bring M&A sourcing and execution experience, and these types of transactions will contribute to creative M&A models.

By contrast, independent broker-dealers have seen little activity in 2020, with two LPL Financial acquisitions representing a combined \$3.5B. The already concentrated IBD space experienced a record level of M&A in 2019, including several transformative deals. By the end of the year, 13% of the 105¹ registered IBDs were acquired, which is an unsustainable activity level relative to the total number of firms in the channel.

* While these transactions do not qualify under our definition of wealth management M&A (i.e., majority interest in a firm between \$100M and \$20B in AUM), they are important transactions in the industry worth noting. See page 3 for our report criteria.

¹ U.S. Broker/Dealer Marketplace 2019, Cerulli

For more resources, including monthly M&A transaction reports, visit go.fidelity.com/mergersandacquisitions.



Fidelity compiled the data for this report from public information. Data for this report covers the period January 2016 to June 2020.

The acquirer models referenced herein are for illustrative purposes only and are not meant to be exhaustive of all business options or models a wealth management firm may consider for its particular situation.

This report seeks to capture wealth management M&A deals involving:

- Wealth management firms registered with the SEC as a registered investment advisor, including transactions identified as involving firms with over \$100 million in assets under management/advisement, but less than \$20 billion.
- Breakaway advisors and/or advisory teams who are leaving a financial institution to join a wealth management RIA and who are expected to bring at least \$100 million in AUM/A to the new business, as this transition would likely include remuneration.
- Independent broker-dealer firms registered with FINRA, including transactions identified as involving firms with over \$1 billion in assets under administration.

If you are aware of a transaction that fits the criteria and is not listed in this report, please contact your Fidelity representative.

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