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FINANCIAL PARTNERS

Inside the Deal M&A Newsletter

Q1 2023

A Brief Note from the Team

We are pleased to share with you the ninth edition of our quarterly newsletter, Inside the Deal!

As always, Dynasty Financial Partners aims to educate our clients and readers on the key trends we are seeing in Wealth Management M&A. We hope to provide you with specific insights into deals and deal structures, answer important questions raised from our readers, and most importantly, empower our network to have the confidence to be successful in their chosen M&A strategy.

For our ninth issue, we reflect on the robust year of dealmaking thus far in 2023, and what a crazy year it has been! All indications continue to suggest that the robust M&A market is not going away anytime soon, despite the dramatic headlines in the fourth quarter and late February. Strong deal valuation multiples combined with a strong buyer sentiment (many of whom continue to have access to a significant amount of capital) will continue to create attractive opportunities on both the buy-side and sell-side alike.

We would like to hear from you! Please email us at DCS@dynastyfp.com. Let us know what you would like us to explore in upcoming issues and how we can better serve our network so you can pursue and close more M&A deals with confidence!

As always, everything you share with us will be held in the highest degree of confidentiality and discretion.

Kind regards,

Harris Baltch
Head of M&A and Capital Strategies

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Market Review

Since our last newsletter, so much has changed in the world, while also remaining very much the same. Interest rates continue to rise to levels not seen since 2007, and a banking crisis hit, amongst others, two players in the wealth management M&A market. Neither has seemingly shaken buyer or seller sentiment.

In contrast, for RIA M&A activity, very little has changed: demand to acquire RIAs continues to surge and valuations remain at elevated levels. Q1 2023 began with a January M&A surge (though slightly more muted) familiar to the ones we experienced the last two years and concluded with the same overarching question: Can M&A continue at the same feverish pace for the rest of the year?

This section ended both 2021 and 2022 with the open question of whether the next year's M&A deal volume could surpass the all-time highs seen the prior year, much less if it could sustain the multi-year acceleration. When taking a step back to assess the 2023 M&A market in totality, the primary takeaway is...WOW, perhaps it can.

The end result is that Q1 2023 continues what we might now call the 'new normal' in M&A deal announcements, hitting 76 total deals (+7% over 1Q 2022) and 277 LTM. Despite the overly dramatic early December and late February headlines of quarterly deal count coming well under expectations (without the needed context), Q1's total deal count was good for 2nd all-time quarterly high. Granted these were mostly smaller and less immediately reported deals early on, with the larger M&A transactions waiting for later in the quarter.

To summarize the start of 2023, we believe it is safe to say from a pure number's standpoint, the RIA market's worries regarding valuation multiples crashing and deal volume cratering has not panned out in the slightest.

So, as we look to 2023, the primary considerations regarding the general health of the M&A market are threefold:

1. Will the leverage levels of serial buyers challenge their ability to continue making acquisitions at the current pace?

2. How will the Fed's sustained rate increases affect the buyers who have turbocharged the RIA M&A market?

3. Will new buyers continue to enter the market, and at what pace?

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Market Review

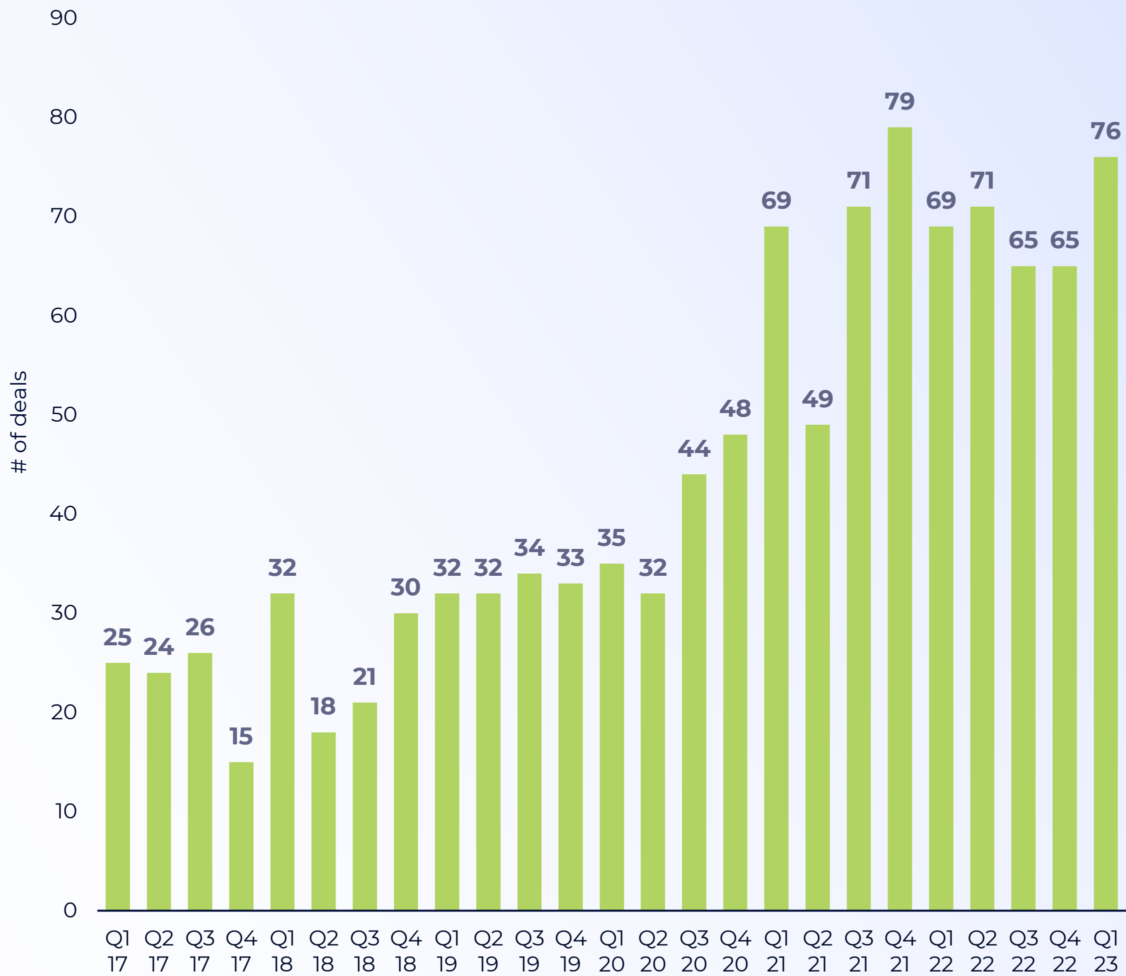
The answer to these three questions will not be fully known until more of 2023 (and beyond) comes to pass, but our hypothesis is the overall health of the market will remain robust. Strong, but not nearly as expansive as in years past.

We project that 2023 will be more like 2022 and less like 2021 in that we now have a consistent and more mature class of buyers, with many firms who have recapitalized and set their sights on new inorganic growth initiatives.

This resilience of the M&A market is primarily due to the story remaining the same: the long-term drivers of outsized RIA deal volume is driven by advisor succession needs over the long term, the increasing RIA scale, breadth and depth needed to compete, and new private equity and insurance backed buyers entering the market to drive growth through consolidation.

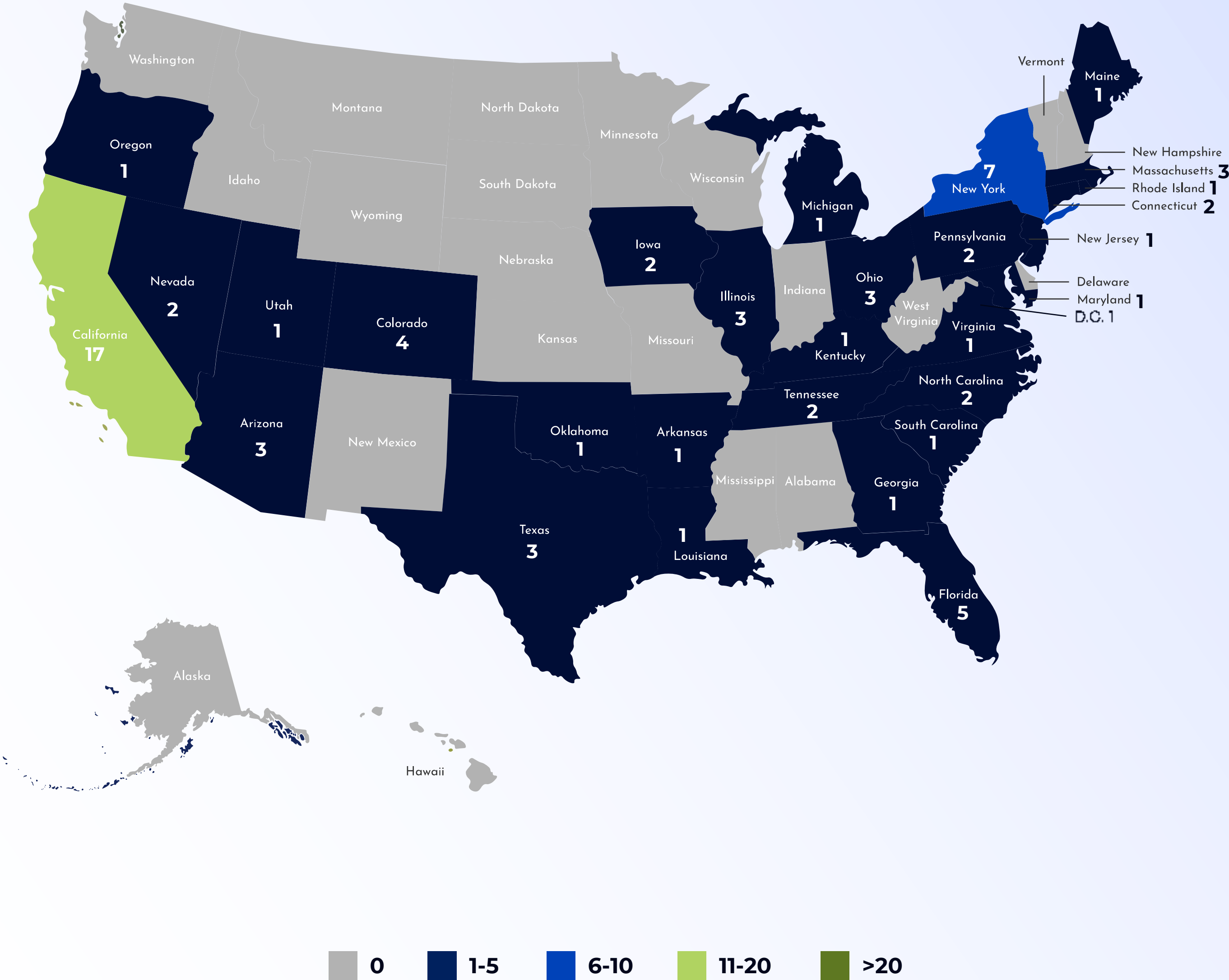
With no signs of expected deal volume slowing down in 2023, we would not be surprised to see another attempt at an all-time record year of RIA M&A for another straight year!

RIA M&A Deal Volume Q1 2023



Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

2023 National Deal Data Breakdown



Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Q1 2023 Key Themes

1. Network Partners Spotlight
2. Succession Begets M&A
3. Under The Radar M&A
4. That Time of Year Again: M&A Volume Trends
5. Should You Be Public?
6. Green, Yellow & Red Flags in M&A Negotiations

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Network Partners Spotlight

Americana Partners

On February 27, 2023, Americana Partners announced the Fidelis Wealth Management Group (a team of former Morgan Stanley financial advisors that included Phillip Knight, Amy Lawler, Charles Bailey, and J. Tom Snelson and their team) would be joining the Texas-based RIA. The Fidelis team expanded Americana's footprint to the lucrative Midland market, which serves the Permian Basin's oil and gas industry and would add $715 million is assets under management to Americana's $6.0 billion. Dynasty Financial Partners originated the opportunity and served as an exclusive M&A advisor to Americana and the Fidelis team.

The Fidelis team is the most recent M&A deal for Americana Partners since their move to independence in April 2019 and is the second M&A deal they completed in two years. In 2021, Dynasty served as exclusive financial advisor to Americana on their acquisition of McMurrey Investment Advisors, an RIA with approximately $300 million in assets under management.

Advised

On its recruitment of

Project Knight

2023

Advised

On its recruitment of

McMurrey Investment Advisors

2021

DayMark Wealth Partners

On February 21, 2023, DayMark Wealth Partners announced the addition of advisors Jacob Krecic, Justin Fitchko, and Martin Hopkins. Krecic, Fitchko, and Hopkins bring with them over $450 million in assets under management and nearly 70 years of combined industry experience. The team expands DayMark's reach from Cincinnati to Cleveland with two new offices opening in Westlake and Pepper Pike, OH.

This deal marked the inaugural M&A transaction for DayMark Wealth Partners since their launch in June 2022 from Wells Fargo. Dynasty Financial Partners served as M&A advisor to DayMark Wealth Partners on this transaction.

Advised

On its recruitment of

Project Sandridge

2023

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Succession Begets M&A

Internal succession requires years of planning, something put to the test by the COVID pandemic and consistent drain on advisors by successive macroeconomic fires and immediate concerns such as client service.

Over the course of the next decade:

Adding to the challenge, according to wealth management industry research, the percentage of advisors that have low confidence in the next generation's ability to take control has grown from 57% in 2019 to 68% in 2022. This decrease in overall confidence could possibly be attributed to the increase in employee turn-over since the pandemic. Overall, 37% of firms experienced increased employee resignations post-COVID with 45% of firms greater than $1 billion in assets under management feeling the impact of increased attrition.[2]

In addition to concerns about the capability of the next generation to lead and grow RIAs in the future after the current owners or founders leave, there is also the issue of whether the next generation can afford to buy out the founders at market value in full. Considering deal multiples have consistently increased over the last decade it is unlikely, despite some negative recent headlines, that valuations will be pushed low enough to reach an attainable purchase price for up-and-coming generation of financial professionals, many of whom are starting a family or buying a house for the first time when first generation advisors are looking to retire.

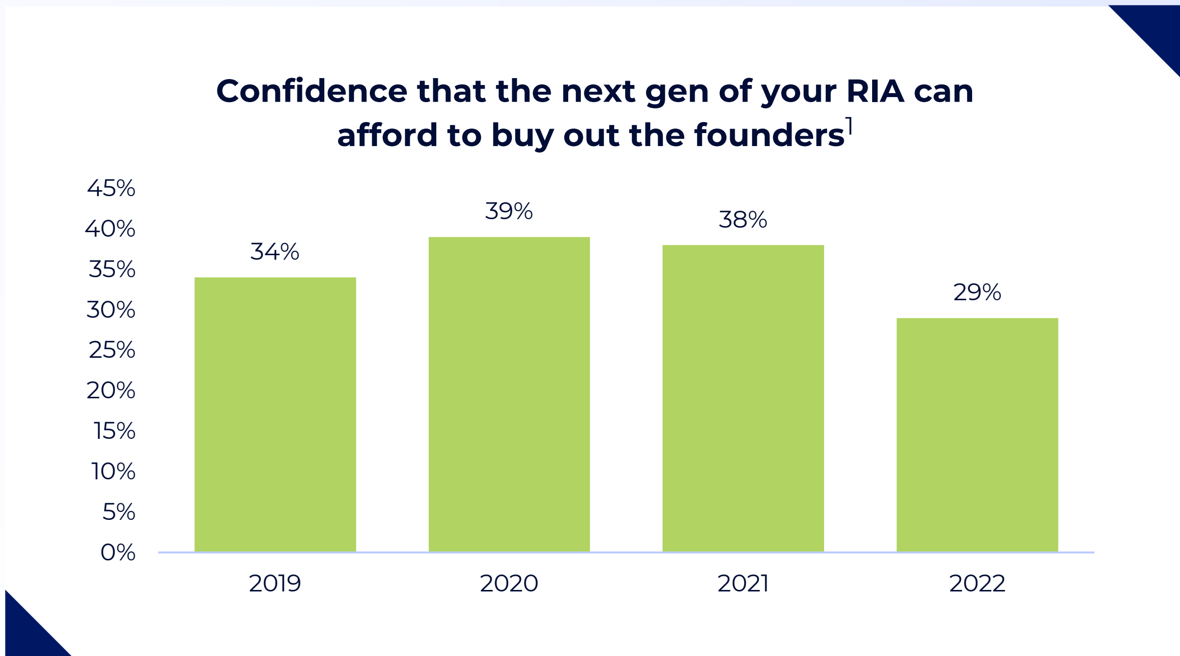
[1] Cerulli Associates – '40% of Advisory Assets Will Transition in 10 Years, According to Cerulli' (2022)
[2] Financial Advisor – 'Covid Underscores Lack Of Succession Planning In RIA Industry, Survey Say' (2022)

Succession Begets M&A

Continued

The lack of succession planning across the industry, as well as continued decreased confidence in the ability of the future generation to take control, will likely create succession-driven M&A opportunities. These opportunities will take the form of both minority and majority sales of firms at the crux of their succession decisions. Minority deals can enable the upcoming generation, who is still usually in the capital accumulation stage, to purchase founders' shares over time instead of one large transaction (or several in short succession). Majority deals will still have a role as well, primarily stemming from unsuccessful succession plans involving next generation advisor transition.

Confidence in Next Gen Buying Power Declined in 2022:



[1] DeVoe & Company – 'DeVoe Annual RIA M&A Outlook' (2022)

Under The Radar M&A

One of the highlights of our quarterly newsletter is our year in review's top 10 M&A states featured in last quarter's newsletter. All in all, our top 10 states by deal count noted that, in 2022, RIA M&A activity occurred in 42 total states (as well as five countries – Canada, Australia, Switzerland, Mexico, and the United Kingdom) for an all-time record of 270 total.

This leads to follow-up questions about the data:

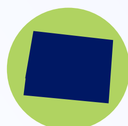
> ? With all this M&A activity in the overall industry, why do so many states escape the notice of the major serial acquirers and investors?

> ? Are the forces that drive Dynasty's wealth management industry M&A thesis less prevalent in those states?

The short answer to those questions are NO and NO, but a longer dive into the numbers is revealing.

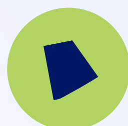
First, let's cover the states who saw no RIA M&A in 2022:

Idaho


Wyoming

Nebraska

West Virginia


Rhode Island

Vermont

Maine

These states are small relative to the overall RIA M&A market:

Out of 21,600 RIAs, as defined by Discovery Database, these seven states make up a small percentage of the total RIA market.

State	RIA count	Overall percentage
Idaho	119	0.6%
Wyoming	44	0.2%
Nebraska	100	0.5%
West Virginia	28	0.1%
Rhode Island	85	0.4%
Vermont	56	0.3%
Maine	80	0.4%
Total	**512**	**2.4%**

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Under The Radar M&A

Continued

Based on the available data concerning the RIA industry, only 2.4% of the overall market (the above states), did not experience a transaction in their state in 2022.

One caveat is that buyers are not typically factored into the M&A numbers. For example, Nebraska is the state which serves as the headquarters for Carson Group, one of the wealth management industry's largest integrators. Carson Group, backed by Bain Capital since 2021, has completed 8 total RIA acquisitions since the beginning of 2021. However, since none have involved Nebraska sellers, none of these transactions have been included in Nebraska's total.

In 2021, Rhode Island and Nebraska did indeed have sell side M&A deals announced:

Buyer	TS Bank	Integrity Marketing Group	SCS Financial	Bain Capital
Date	4/21/2021	9/23/2021	2/25/2021	7/14/2021
Buyer Type	Bank	Aggregator	RIA	PE
Seller	Callahan Financial Planning	Wealth Management LLC	Matheys Lane Capital Management	Carson Group
Seller Type	RIA	RIA	RIA	Aggregator
AUM ($ bn.)	0.2	1.9	1.3	17.0
Seller Location	Omaha, NE	Norfolk, NE	Providence, RI	Omaha, NE
Comments	Planning focused firm acquired by bank	DFA adherent, works with accounting and insurance firms	Focus backed, ultra-high net worth focused. Quote: 'We believe that bringing together two like-minded, client-centric firms will elevate the experience of our collective client base.'	$1 bn valuation. Bain Capital has bought out Carson Group's existing minority private equity backer, Long Ridge Equity Partners, Long Ridge led a $35m round of investment into Carson Group in 2016

The above table reveals the central point of this theme, hidden M&A.

'Hidden' M&A originates from a variety of channels, but at a high level it is M&A which goes on unnoticed or that which is not a pure sale where a seller is an RIA. For example, when a financial advisor team leaves a wirehouse to join an RIA, this may not be considered traditional M&A, but it is in fact a tuck-in deal. In 2022, this occurred several times in these states. In those 'absent' states, this included a $380mm book leaving Morgan Stanley to join a pseudo-independent firm in Wyoming[1] and The Tree City Advisors going from fully independent to affiliated in some capacity with Apollon Wealth in Idaho[2].

[1] wealthmanagement.com – 'LPL Adds Wyoming Advisory Team From Morgan Stanley' (2022)

[2] Business Wire - 'Idaho-Based Tree City Advisors Joins Apollon Wealth Management' (2022)

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Under The Radar M&A

Continued

The second way this occurs is through unannounced M&A, usually seen with smaller RIAs merging. This is often a single advisor RIA joining an RIA in their area, either for scale advantages or more often due to succession arrangements. An example of this are two smaller RIAs in Maine, one sub $300 million AUM and the other sub $100 million AUM. The former at some point shut down their website and LinkedIn and appears under a different name of what was before a relatively equal sized RIA, also in Maine. The second was an older advisor who at some point in 2022 disappeared from public records and seemingly exited the business. The first, a merger of two smaller equals, and the second, a potential smaller succession agreement transaction, are two examples of hidden M&A.

Why are these deals hidden? For several reasons, many of which are examined below:

1. Smaller deals are not advertised in the way that aggregators deals are.

Aggregators and banks, as seen by the above deals in Nebraska in 2021, very publicly announce deals as they have an established marketing strategy and use their marketing to drive further M&A. Smaller mergers, often by single advisors, do not have the same prioritization, marketing personnel, nor overarching strategy.

2. How 'official' and real is smaller M&A?

For smaller M&A deals, is succession truly M&A? Is a deal where a sub $100mm single advisor RIA joins forces with a larger firm for enhanced capabilities truly M&A?

All these answers are unclear for those not fully privy to those unique situations, which results in those deals getting done but not officially getting counted in official statistics tracked by databases and other firms. Regardless, the amount of work it takes to complete a $75mm tuck-in is (mostly) not too different from what it takes to merge with a $750mm RIA. So, while the trade rags may not give full credit to the smaller deals getting out there, they do take the same of rigor, focus, attention to detail, and work to get them done right.

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

That Time of Year Again: M&A Volume Trends

Something which has drawn a consistent buzz in recent months has been flashing headlines about M&A volume being down intra-quarter and questions regarding whether this might be the end of record deal levels. Given this, a step back and quick analysis of the deal count by month over month for the past two years is timely to review:

Month	2021	2022
January	36	28
February	18	19
March	15	22
April	13	19
May	20	20
June	16	32
July	25	17
August	18	30
September	26	18
October	26	18
November	24	19
December	29	28

The primary takeaway from these numbers is that...there is somewhat of a cadence, or at least some level of consistency in the inconsistency. To no surprise, there is a lot of noise in the monthly numbers even as quarterly deal numbers have maintained a fairly tight range over the last two years (besides Q2 2022).

Despite this noise, there is a pattern which confirms conventional wisdom that there is a rush to finalize deals by year end, resulting in a spike in December deal announcements. The second spike in January is the announcement of deals completed in December or spillover from deals which were not able to make it across the finish line from year end. This was already clear from January (and even some February) press releases which announce a deal...which was closed in December per the buyer and seller's own direct quotes. Another source of 'noise' is the rush of deals in Q4 2021 which was caused by the potential change in the tax law.

Given those two factors, the normal over-weighting of deal announcements levels in December and the higher-than-normal deal announcements in Q4 2021 overall, informed market participants at the end of November 2022 shook their heads when headlines spoke about projected Q4 numbers being down as it was 'that time of year again'.

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Should You Be Public?

One of the primary storylines of 2022 was the drive by some wealth management firms to join Focus Financial in the public market spotlight, so it is only fitting that the biggest story of Q1 2023 is Focus Financial Partners' acceptance of a takeover bid by private equity firm Clayton, Dubilier &Rice to go private.

Given CI Financial's RIA division contemplating an IPO and Kingswood SPAC's acquisition of Wentworth pending pubco merger approval, the question should be raised: 'should you be public'?

Exploring public market comparables for any RIA-like entity in the public market over the past year should help us shine a light on this debacle.

Silvercrest Asset Management (SAMG)

High: $21.68

Low: $15.57

EOQ: $18.18

Focus Financial Partners (FOCS)

High: $51.93

Low: $30.65

EOQ: $51.87

Alvarium Tiedemann (ALTI)

High: $15.40

Low: $6.88

EOQ: $12.54

Source: Yahoo finance - 'Silvercrest Asset Management Group Inc. (SAMG)', 'Focus Financial Partners Inc. (FOCS)', 'Alvarium Tiedemann Holdings, Inc. (ALTI)' (2023)

Should You Be Public?

Continued

Commonalities across these three public companies:

1 Volatility of stock price

During Alvarium's brief experience in the public markets, the daily volatility by being a (smaller) market cap public company is real. AlTi has experienced daily swings well over 10% and a loss of 50% over a week period (Jan 25th - Feb 1st), partially explainable by its small cap nature (market cap under $1.5 bn), partially by its limited coverage universe (no analyst coverage listed publicly), and partially by its nature as a wealth management and asset manager mishmash merged together via SPAC.

A company's stock could be volatile with no real fundamentals changes in the underlying business but may be fundamentally misunderstood by the market and has no equity analyst to interpret the equity story to the public and to institutions.

2 Lack of understanding

The lack of understanding or lower valuation of the public company's business model, relative to the private markets, could stem from a variety of sources. One such source could be a lack of other public company comparables, as none of these three public companies are similar to each other, much less to the likes of diversified financials such as Raymond James or LPL. For example, the business models of Focus Financial, Silvercrest, Raymond James and AlTi are entirely different from one another, and if CI Private Wealth was to follow through on its IPO it would be compared to some number of these which would likely create more confusions, especially when Focus Financial goes private.

3 Low relative valuation levels

Silvercrest's somewhat consistent downward trajectory in share price alone showcases a somewhat cautionary tale here, even while private market RIAs continue to enjoy widespread multiple expansion. A similar story is Focus Financial, who despite representing 89 RIA firms totaling $350bn in AUM, is in the process of being taken private for $7 billion, which excluding debt is roughly a $4bn equity valuation.[1]
At valuation levels seen in the current private market, Focus' three largest network firms would be worth more than the entire take private valuation, with Buckingham alone worth $2 bn by various estimates.[2]

[1] Tiburon Strategic Advisors - 'Focus Financial Partners: A Leading Public Fee-Based Financial Advisor (RIA) Aggregator' (2023)
[2] RIABiz – 'Focus Financial is pushing shareholders to take a take-it-or-leave-it private equity offer worth about $6 billion -- including $2 billion debt assumption -- despite a break-up value near $10 billion' (2023)

Should You Be Public?

Continued

With the above factors affecting current wealth management industry firms being public, one might wonder why CI Private Wealth might want to be public, much less other larger RIA aggregators rumored to be considering such a route.

Imagine trying to recruit new clients, much less new next-generation advisors with the current market conditions for:

The buyer of large RIA aggregator Boston Private in 2021:

SVB Financial Group (SIVBQ)

High: $376.49

Low: $0.40

EOQ: $0.91

Noted wirehouse advisor destination:

First Republic Bank (FRC)

High: $147.00

Low: $12.18

EOQ: $13.99

Source: Yahoo finance - 'SVB Financial Group (SIVBQ)', 'First Republic Bank (FRC)' (2023)

Should You Be Public?

Continued

This goes double for financial advisors entering into these situations. As this space has explored time and time again, when accepting the stock of the buyer as deal compensation, when accepting legal agreements which bind you tighter to the buyer entity, there is always a risk that when things go wrong and are out of an advisor's control, there is no easy escape valve.

Given the above examples of how public markets can penalize a firm for someone out of an advisors control, it is worth exploring one of the main reasons why being public is in fact appealing. A firm's access to the public markets creates a liquid portal and currency to execute on organic and inorganic growth initiatives (including M&A), in addition to providing free marketing as a cache to draw new employees and recruits. However, this public market access to liquid capital has its risks, especially if companies take on excessive leverage.

As examined by us before, private aggregators in the wealth management space enjoy higher Debt/EBITDA multiples and can therefore lever up more to do M&A vs public market firms like Focus Financial Partners. The reasoning behind this concept is that public firms are evaluated quarterly and are put into the proverbial 'penalty box' if they have a debt level that is deemed not acceptable by the analyst community. The takeaway: in today's higher rate environment, private markets can withstand higher debt levels because they are not nearly as scrutinized as public market firms. CI's IPO is unaffected by these factors (currently), as their existing debt from their rapid M&A activity has been reported to be transferred to their larger asset management affiliate prior to IPO.

Our advice? Do your homework, enlist a trusted investment banker, and get educated on the potential benefits and risks of different potential partners before making a strategic M&A decision.

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Green, Yellow & Red Flags in M&A Negotiations

Throughout the various steps and stages of an M&A process, there are many datapoints that a buyer or seller can analyze. Some of these may signal success and a more positive outcome, others less so. Recognizing these indicators, in addition to knowing which to watch out for in the first place, will allow all stakeholders to maximize transaction value and save the most valuable resource – time.

Spotting green flags that indicate strong potential and opportunity for value creation can be a key driver of deal success.

Meaningful strategic rationale:

- Favorable exit opportunity for the seller (e.g., succession plan to allow for retirement)
- Strategic alliance with key financial and operating synergies
- New prospects for growth or increased market power
- Access to needed resources such as talent and technology
- Diversification benefits (e.g., expanding geographic footprint, new client niche)

Achievable synergies that are identifiable and expected to be realized within a reasonable timeframe will render the deal more accretive.

↑ Improve cash flows produced by existing assets

↑ Increase expected growth rate

↓ Decrease corporate overhead

↓ Reduce cost of capital

Cultural alignment is by far the most relevant 'soft' indicator of deal success. According to a recent market survey[1], a 'winning' culture can be defined by:

- Leadership alignment
- Clarity of purpose
- High collaboration
- Transparent governance
- Owner-like accountability
- Performance-based environment

[1] Mercer – 'People Risks in M&A Transactions' (2020)

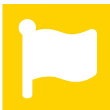
Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Green, Yellow & Red Flags in M&A Negotiations *Continued*

Successful track record - past performance is not indicative of future success! Each negotiating party should immerse themselves around a team of experts, such as investment bankers, lawyers and tax accountants, with strong knowledge of M&A processes and relevant transaction experience. Those who have been there before know the route to a successful transaction.

Fair and reasonable deal protections can protect either party's interest and increase the likelihood of smooth and successful negotiations. Common legal and financial tools that can be leveraged in M&A negotiations include:

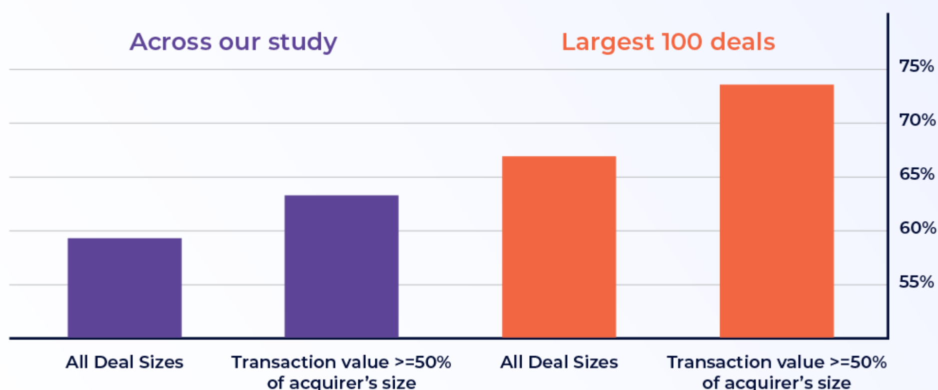
- Control rights for equity owners
- Tag along or drag along rights in a future sale
- Liquidation preferences for different shareholders
- Non-competes and non-solicits
- Breakup / termination fee
- Right of first refusal / match right



Negotiating parties should exercise caution to avoid falling into common M&A pitfalls.

Substantial acquisitions relative to buyer size come with greater integration risks and incremental costs incurred may not be matched by proportionally higher returns. By allowing the businesses to grow gradually, 'programmatic' acquisitions (i.e., smaller bolt-on acquisitions executed at a regular pace) are more prone to deliver near term dependable incremental value than large transformative deals. If a firm has historically transacted with one advisor teams, bringing on a +$1 bn AUM multi-advisor team creates new challenges and risks.

Failure rate of acquisitions[1]



[1] Aoris Investment Management – 'Beware the acquirer's curse' (2021)

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Green, Yellow & Red Flags in M&A Negotiations *Continued*

Unresponsiveness from one of the parties or failure to provide requested documents in a timely manner likely signals reduced interest or potential underlying issues.

Unchecked emotions (over-emotionality) can get triggered at any time during the M&A process and may result in one of the parties abruptly opting out of the transaction. Typically, sellers with no prior M&A experience about to cash out on their business are more likely to get cold feet than sophisticated serial acquirers.

Rushed negotiations during fundamental stages of the M&A process can considerably alter power dynamics among buyers and sellers. For instance, seasoned acquirers may downplay the significance of non-binding documents (term sheet, letter of intent) and pressure sellers into signing them without adequate negotiations.

Information asymmetry arises when one of the firms involved in the deal lacks M&A expertise (e.g., RIA with no prior M&A experience entering into an agreement with a PE firm). Hiring professional investment bankers can help bridge this knowledge gap and facilitate the negotiation of more favorable terms.

Conducting thorough due diligence and identifying potential red flags are critical steps to avoid M&A failure.

Unsuitable deal structures will have significant repercussions on a combined company's financial and operational performance. Leadership teams should work with experienced advisors to assess the suitability of the proposed deal structure by considering:

- Impact on pro forma ownership and control
- Impact on credit statistics (leverage, coverage ratios)
- Potential dilution from structured equity investments
- Unachievable earnouts that increase valuations

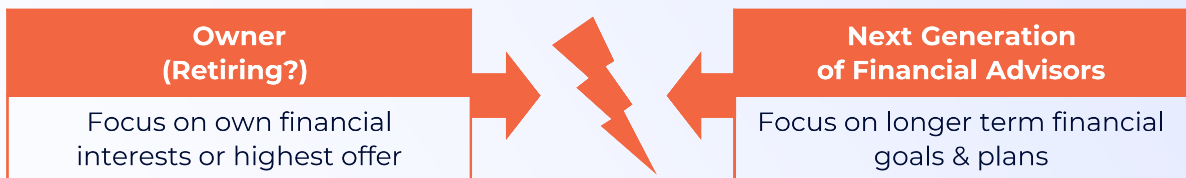
Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Green, Yellow & Red Flags in M&A Negotiations *Continued*

Cultural incompatibility between merging entities can disrupt the integration process, increase employee turnover, and decrease overall productivity. The firm's culture should be evaluated based on the following markers:

- Employee value proposition
- Vision for growth
- Client demographics
- Diversity considerations
- ESG engagement, if applicable

Conflicts of interest and lack of alignment among key stakeholders can intensify challenges in reaching an agreement (e.g., different valuations or strategic goals) and can sink a deal at later stages if all relevant parties are not on the same page from the start.



Unclear objectives are likely to disturb the M&A negotiation process, cause delays and require incremental spend for all parties. Ambiguous or incompatible transaction objectives would be sellers expecting to:

- Maximize capital by selling a majority stake and maintain control
- Maximize offer value and exit immediately

Regulatory and legal issues can be detrimental to the company's overall operational and financial sustainability. The acquirer should identify hidden liabilities and risks by performing thorough due diligence, including a comprehensive review of client complaints and internal compliance controls. If not adequately addressed before the sale, there can be limited ability to ameliorate negative outcomes post transaction.

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

M&A Market Color
Q1 Top 10 Deals Announced

Buyer	Seller	Buyer Type	Seller AUM (billions)	Announcement Date	Transaction Rationale
Kelso & Company	Pathstone	PE	80.0	3/6/2023	Capital
Harvest Partners	Mercer Advisors	PE	46.0	2/28/2023	Capital
First Citizens	SVB Wealth	Bank	15.8	3/10/2023	Capital
CI Financial	Avalon Advisors	Aggregator	8.4	3/21/2023	Capital
CAPTRUST	Monroe Vos Consulting	Aggregator	5.8	3/9/2023	Scale, Capabilities
Sequoia Financial Group	Zeke Capital Advisors	Aggregator	5.0	2/16/2023	Capital, Capabilities
Cerity Partners	ARGI	Aggregator	4.8	1/11/2023	Scale
Golden Gate	Parallel Advisors	PE	4.8	1/5/2023	Capital
Lazard Asset Management	Truvvo Partners	RIA	3.8	3/2/2023	Scale, Capabilities
Savant Wealth Management	Capital Directions	Aggregator	3.3	2/23/2023	Scale, Expansion

Several sources are used to create this report. M&A data is gathered from press releases, trade articles, and other secondary research sources. All publicly announced transactions involving the acquisition of an independent advisory firm are reviewed for inclusion. This data covers the period from January 1, 2023–March 31, 2023 and is ordered by AUM.

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

2023 M&A League Tables

RIA Investment Banking M&A Deal Count

First Quarter of 2023

Rank	Firm	Deals
1	Park Sutton Advisors (WHA)	7
2	Republic Capital Group	5
3	Advice Dynamics Partners	3
4	**Dynasty Financial Partners**	**2**
4	DeVoe & Company	2
4	Ardea Partners	2
4	Colchester Partners	2
8	ECHELON Partners	1
8	Wise Rhino	1
8	Cambridge International Partners	1
8	District Capital Partners	1
8	Advisor Growth Strategies	1
8	FP Transitions	1

Several sources are used to create this report. M&A data is gathered from press releases, trade articles, and other secondary research sources. All publicly announced transactions involving the acquisition of an independent advisory firm are reviewed for inclusion. This data covers the period from January 1, 2023–March 31, 2023 and is ordered by number of M&A transactions announced.

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Re-Introducing Dynasty's Investment Banking Client Referral Program

- Do you have a client that is getting ready to sell their business in the near term?
- Do they have a trusted relationship with an investment banker that knows their industry to help them?

Help your client's business prepare for and execute a sale by leveraging our deep investment banking referral network

Benefits of Program Include

✓ Multiple partnerships to choose from regardless of transaction size

✓ Evaluation of different investment banking alternatives in partnership with Dynasty's investment banking team

✓ Run an effective 'bake off' for your client to help identify the best investment banking team to support your client and their business

✓ Potential for advisor to receive compensation upon transaction close with applicable brokerage licenses

Select Investment Banking Partners

Transaction Size Minimum

If you are interested in learning more, please reach out to us at DCS@dynastyfp.com

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Dynasty's M&A and Capital Strategies Team

How we help RIAs grow

The Dynasty M&A and Capital Strategies team offers three primary service offerings to RIAs to help them reach their next level of growth.

The first offering is transaction support. Our team offers objective sell-side and buy-side M&A support to help an RIA find a succession partner. With a deep bench of Wall Street professionals who have collectively over 50 years of M&A experience, our team can provide expert help with any number of transaction support related tasks including sell-side M&A, deal sourcing, transaction structuring and negotiations, due diligence support, and finalizing and closing deals.

The second service offering is valuations, which provides an objective view for an RIA owner's enterprise by leveraging Dynasty's experience and insight. These valuations have a variety of uses including: M&A level-setting, internal succession, performance benchmarking for founders, and ongoing governance.

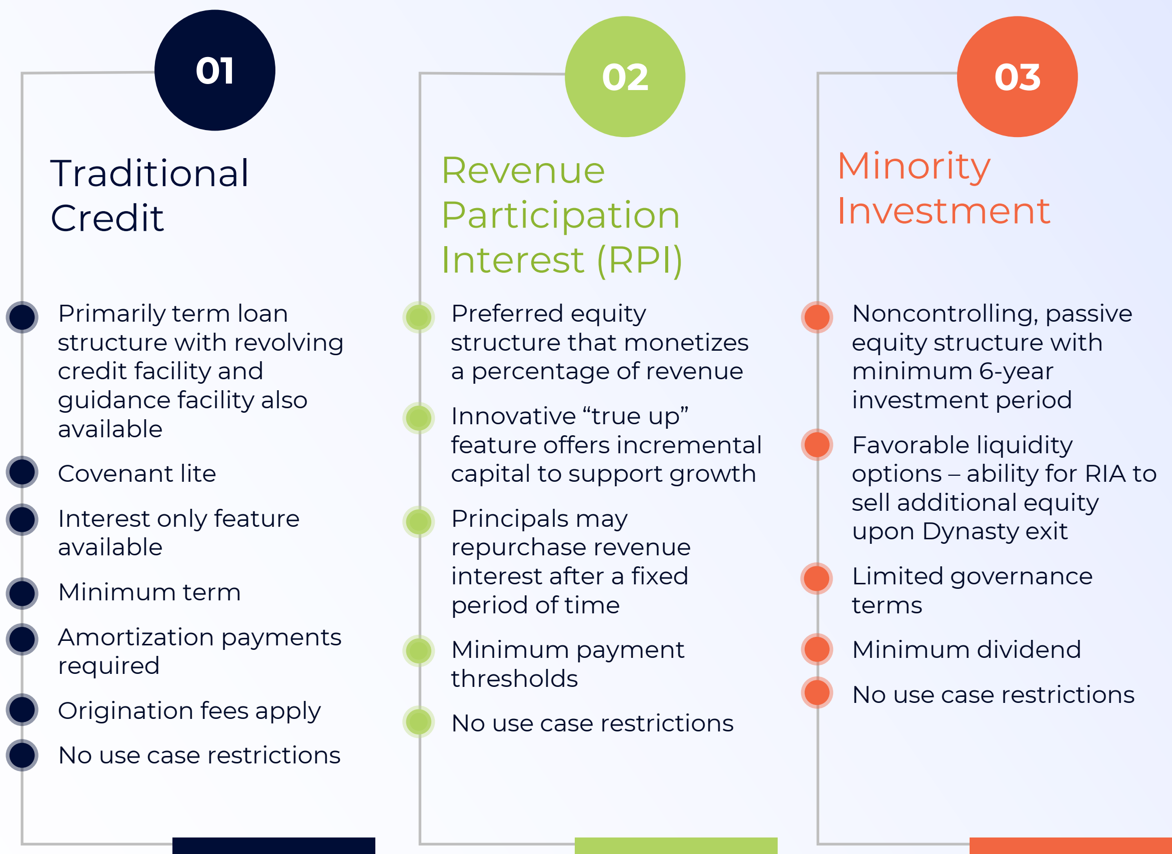
The third way we can help is by providing liquidity to founders to achieve a certain business objective without giving up control of their business through three primary capital solutions, including our Traditional Credit, Revenue Participation Interest (RPI), and Minority Investment programs.

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Dynasty's M&A and Capital Strategies Team

As a financial technology and value-add wealth management platform, Dynasty Financial Partners began its capital program nearly 9 years ago with our traditional debt program based on the needs of our clients.

Today, Dynasty's M&A and Capital Strategies team has the premier diversified capital offering in the industry that is exclusively for its clients.



All of our capital programs are designed exclusively for RIAs to support a firm's strategic growth objectives. Please reach out to us and let us know how we can be helpful in tailoring a capital solution that is right for you and your firm.

Dynasty's M&A and Capital Strategies Team

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.

Harris Baltch

Head of M&A and Capital Strategies

Harris Baltch is responsible for leading Dynasty's M&A and Capital Strategies division. Prior to joining Dynasty, Harris spent nearly a decade at UBS Investment Bank where he was an Executive Director in the firm's Financial Institutions Group. While at UBS, Harris originated, led and executed over $10 billion of strategic M&A and capital market transactions for companies in the asset and wealth management industry.

Earlier in his career, Mr. Baltch worked at PricewaterhouseCoopers LLP in the Banking and Capital Markets Group. He has over 15 years of financial services experience and earned his M.B.A. from the Johnson Graduate School of Management at Cornell University. He also received a B.S. in Accounting at Binghamton University and is a certified public accountant, registered in the State of New York.

Chris Marsh

Senior Vice President

Chris Marsh is a Vice President in Dynasty's M&A and Capital Strategies division. Prior to joining Dynasty, Chris spent four years at Evercore, a leading independent investment bank, where he was a Vice President in the Global Advisory practice. While at Evercore, Chris led and executed on over $15 billion in M&A transactions and strategic advisory engagements for companies across a variety of industries.

He received his M.B.A. from Columbia Business School and B.S. in Systems Engineering from the University of Virginia, where he was a Rodman Scholar.

Dylan Dierig

Assistant Vice President

Dylan spent 4 years as a M&A investment banker between Raymond James Financial and Falls River Group focusing on financial technology and healthcare industries. Executing on over $2 billion in sell-side M&A transactions for both private and public companies.

Dylan received a Masters of Science in Finance from Villanova University and a B.A. in Finance from the University of Kentucky.

William Ross, CFA

Assistant Vice President

William worked as an Associate for Emigrant Partners, focusing on sourcing and executing new investments.

William was previously a Fixed Income Portfolio Management Associate at U.S. Trust, managing over $1.0 bn of fixed income assets. Prior to U.S. Trust, he worked as an intern at Wolfe Research on the consumer staples team. William received his MA in Management from the University of St Andrews.

Victoria Cangero

Senior Associate

Victoria worked as an Associate for Dynasty, focusing on supporting client inquiries and quality assurance.

Victoria held internships with UBS' Investment Banking group in New York and JP Morgan's Corporate Banking group in Miami. Victoria graduated from Florida Southern College, majoring in economics and finance and minoring in accounting.

Amelie Russo

Senior Associate

Amelie worked as a Treasury Analyst for Intertape Polymer Group. She was previously a Corporate Banking Analyst at International Finance Bank, monitoring a portfolio of syndicated leveraged loans and sourcing investment opportunities.

Amelie received a M.S. and B.S. in Finance from West Virginia University.

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Get In Touch

We look forward to hearing from you, any questions may be subsequently featured in upcoming issues!

Email

dcs@dynastyfp.com

Sources: Dynasty Financial Partners, public information including press release, trade articles, and other secondary research. Specific resources can be provided upon request.