

BIGGEST DEALS OF THE YEAR

1.12.15 Originally Published By Matt Pressberg, Los Angeles Business Journal

Big Deal No. 8: El Segundo independent broker-dealer Cetera Financial Holdings Inc. wasn't being shopped around by its private equity owner, Lightyear Capital in New York. But that didn't stop New York investment bank RCS Capital Corp., which has been on an aggressive shopping spree, from swooping in with an offer Lightyear couldn't refuse.

At about \$1.2 billion, the size of the deal surprised many industry observers, as it was a higher-than-expected price for a player in a broker-dealer industry that has struggled in the face of price competition between dealers and an increased regulatory burden. Independent broker-dealers are specialized financial services companies that buy and sell securities such as mutual funds on behalf of financial advisers who operate as independent contractors.

Cetera could not be reached for comment, but **Daniel Seivert**, chief executive of Manhattan Beach investment bank **Echelon Partners**, which does a lot of work in the broker-dealer space, answered some questions about the deal for the Business Journal.

Question: RCS has been aggressive in its acquisitions of late. What makes the Cetera deal different?

Answer: The broker-dealer acquisitions that RCS made prior to acquiring Cetera were smaller and frankly did not turn many heads in the industry. But the acquisition of Cetera was different for the following reasons: It was a very large firm; it was owned primarily by a private equity firm that was only half way through its traditional seven-year hold period; it was a property that was not for sale; and it made a huge statement when all the broker-dealers they had acquired were added together.

Why was Cetera attractive to RCS?

It was the ideal platform to consolidate all of the other broker-dealer acquisitions. It had and has a very valuable and powerful roster of clients, contractors, employees, vendor partners, proprietary solutions and technology interfaces.

Were you surprised by the deal?

I was surprised that someone would be so aggressive about making acquisitions in the broker-dealer space. It begged the question of what business model would allow RCS to pay higher prices for what many consider to be a challenged business model.