# Wedding bells? Who might buy LPL

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So if LPL is for sale, who might be interested in buying the nation's largest independent broker-dealer?

The most likely purchaser, say industry experts, would be a private equity firm, or combination of firms, Cetera Financial Group or Wells Fargo.

"We believe there is a good chance that the winner in a sale process will be one or more private equity firms," says **Dan Seivert**, CEO and managing director at **Echelon Partners**, an investment banking firm in the financial advisory M&A space that has worked with LPL in the past.

Speculation that the firm was courting possible buyers swirled after Reuters reported LPL Financial was exploring strategic alternatives, citing unnamed sources. LPL declined to confirm or deny the report through a spokesman who said, "As a matter of policy, LPL does not comment on rumors or speculation."

Hellman & Freidman, a prominent PE firm that has already had a stake in LPL and helped take the firm public in 2010, and acquired Edelman Financial Services last year, tops the as well as investments in Edelman Financial Services, tops the list of likely buyers says Seivert, whose firm will be hosting its annual Deal and Deal Makers conference in New York next week.

Other candidates include Summit Partners, The Carlyle Group and Lightyear Capital, according to Seivert. Hellman & Freidman and The Carlyle Group couldn't be reached for comment; Summit Partners and Lightyear Capital had no comment.

## CETERA INTEREST?

Private equity represents the smart money targeting LPL as a "value play," says industry consultant Tim Welsh, president of Larkspur, California-based Nexus Strategy.

"They can take LPL private, remove scrutiny from being a public firm in order to drive cost savings, gobble up failing, mid-sized IBDs post-DoL and then flip it back to the public markets in 5 to 7 years when the regulatory environment is more predictable, " Welsh says.

Cetera, the second-biggest IBD with over 9,000 advisers, is also high on the list of logical potential buyers. Not only is the company familiar with the IBD business in general, but it may know more about LPL's internal situation than anyone because Robert Moore, Cetera's CEO since September, was the former president of LPL.

"Cetera is the only name that comes to mind [as an acquirer]," says Jeff Spears, chief executive of Sanctuary Wealth Services, a San Francisco-based outsourcing provider. "The internal strife at LPL cost Mr. Moore his job in 2015 and the irony and redemption of a Cetera purchase would be Hollywood worthy."

Cetera could not be reached for comment.

But Spears adds that if LPL is putting itself up for sale, it may be a defensive move.

"There have been pervasive problems that are exacerbated by the DoL rule," he says. "It reminds me of Twitter — 'Let's see if we can find someone to buy us.' "

## GOOD FIT FOR WELLS FARGO BUT BAD TIMING

LPL may also be a good fit for Wells Fargo, say industry analysts.

The nation's third-largest bank already owns an independent channel, Wells Fargo Financial Network, as well as an employee channel, Wells Fargo Advisors.

What's more, the bank has made aggressive moves in the market in the past and FiNet is already gearing up to comply with DoL rule and full Best Interest Contract exemption.

A Wells Fargo representative was not immediately available to comment.

However, the mushrooming scandal resulting from the unauthorized opening of client accounts at Wells Fargo has the bank on the defensive, and the status of CEO John Stumpf is increasingly uncertain, severely diminishing the odds of any high profile acquisitions this year.

**OTHER SUITORS**

Who else may be interested in LPL?

"Foreign banks looking to get a foothold in U.S. wealth and investment management may be tempted," Welsh says." But they may not be familiar with the risks, valuations, and difficult operating environment for IBDs right now."

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**TIME FOR A CHANGE?**

But Seivert argues private equity firms are particularly well positioned to buy LPL.

"PE firms are likely to be more agile than corporate buyers," he says. "They specialize in taking firms private and can move faster to polish up divisions or sell them off. They can also quickly combine them with other assets. Public company buyers are usually slower and have more distractions not the least of which is being public, which carries with it all sorts of reporting and procedural formalities."

Whoever might buy LPL — and a sale may not be an easy process — the time may be right for change, says one former LPL executive who asked not to be identified.

"It's a tough model to pay up for," the executive says. "Once they fix their problem, are they really set for the next five years? Will their model be able to thrive in a new DoL world, with price pressures, and with new competitors?

"But LPL is in much better position today than it was before. The issues around compliance and technology are improving. Sales is their big issue, and attracting new advisers in a more competitive world. A new face may suit them well."