

ECHELON: RIA M&A SLOWDOWN NOT DUE TO FEWER BREAKAWAY ADVISERS

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A new report from **ECHELON Partners** confirms that merger and acquisition activity among independent advisory firms was slower in the third quarter of 2017, but doesn't attribute the dip to a decrease in the number of reps leaving brokerage firms.

Instead, ECHELON writes that the pace of M&A activity in the third quarter was more of a return to averages after an accelerated start to the year. The 47 deals made in the first quarter of 2017 and 45 made in the second were two of the three highest quarterly deal totals since 2013.

The 35 deals recorded in the third quarter is a greater total than 70% of the previous 19 quarters, including the 33 deals made in the third quarter of 2016.

ECHELON believes 2017 will cement itself as the fifth record-breaking year of M&A activity in a row, and that industry trends will only continue the trend.

ECHELON's report dismisses the idea of a slowdown in the number of breakaway advisers. The second quarter of 2017 was the lowest number of breakaways since 2013, but it was preceded by the second-highest quarter in that time frame. The third quarter was more in line with the average, with ECHELON tracking 107 advisers going independent.

Another continuing trend is the average size of deals, highlighted by KKR and Stonepoint Capital's acquisition of \$100 billion AUM firm Focus Financial. ECHELON attributed the growth of these "mega deals" to the growing presence of private equity and strategic buyers looking to acquire an established business structure with a proven ability to generate cash flows and profits. Over the first three quarters of 2017, the average transaction size reached \$1.1 billion.

"The aging adviser population combined with consolidation at the top end of the industry is leading to increasing volumes of deals, both in total numbers as well as in assets," ECHELON CEO **Dan Seivert** said in a press release.