

## THIS TIME LPL SHARE JUMP IS TRACED TO E\*TRADE

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LPL Financial lit up trading screens Tuesday when an insider publication added heat to the rumors about its presumed acquisition -- this time, by E\*Trade Financial Corp.

Shares of LPL, the Boston-based broker-dealer that is home to 14,000 independent advisors, spiked to near \$32 a share in Tuesday morning trading after a few days of sloughing off. The upped bids represent the prospect that E\*Trade, the New York-based discount broker with the big brand, might scoop up the advisor servicing giant with little consumer recognition at all. The report emanated from Dealreporter, a British private news service and Financial Times spinoff whose staff is known to include editorial staff with financial educations.

The article reasoned that E\*Trade's interest in LPL was whetted following last month's announcement that TD Ameritrade Inc. of Omaha, Neb. would purchase St. Louis-based Scottrade Financial Services for \$4 billion.

From E\*Trade's point of view, if you are selling the commodity of cheap trades, the next best thing to being bought is to buy a firm selling into a higher-margin business like financial advice.

### Fog of war

LPL's stock will reach manic-depressive peaks and troughs in anticipation negotiations between the firms that will amount to nothing short of war, according to **Dan Seivert**, CEO of **ECHELON Partners** of Manhattan Beach, Calif.

"The stock will move up and down based on investors' belief of who is winning the war for the company: incumbent management, short sellers, or new owners in the form of PE firms or other buyers," he says.

Dan Seivert: The stock will move up and down based on investors' belief of who is winning the war for the company

The stock finished up an uninspiring 53 cents or 1.71%, to \$31.39 Tuesday as the battle raged, mostly behind closed doors. The share price may also reflect LPL's intention to release its earnings today (Wednesday). Shares fell in morning trading.

A deal for LPL would probably cost E\*Trade less than the \$4 billion Ameritrade laid out for Scottrade, but LPL "comes with a whole host of regulatory issues and integration challenges," Dealreporter said, according to contacts.

### E\*Trade in flux

LPL is being shopped by Goldman Sachs, and Wells Fargo has recently been floated as another potential purchaser. LPL's market capitalization is about \$2.8 billion and the odds-on bet remains that private equity buyers will take it private for a serious overhaul.

LPL declined to comment, saying that as matter of policy it does not comment on rumors or speculation. E\*Trade has yet to respond to requests for comment for this story.

As for E\*Trade, it, too, is in a state of flux.

Karl Roessner, who served as executive vice president and general counsel for the last seven-plus years, took over as CEO in September, replacing Paul T. Idzik, as the company shuffled management to try and bolster its core brokerage business. Gross new brokerage account openings declined in the first two quarters.

The firm is also tinkering organically with introducing financial advice. In June, E\*Trade Financial announced Adaptive Portfolios, a mostly automated online investment service, with a decided absence of marketing fanfare, promising to keep the all-in price of portfolios down around 75 basis points even after taking its own 30-basis-point cut.

E\*Trade intends to accomplish this by placing investors with account minimum's of \$1 million and more in mutual funds from which more AUM-poor retail investors are typically barred, according to a spokesman.

