

## HIGHTOWER ADVISORS SEEKS MORE RIA ACQUISITIONS, NOT IN IPO DISCUSSIONS, CEO SAYS

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HighTower Advisors is stepping up its expansion efforts, buying registered investment advisors and attracting others to its platform, according to CEO Elliot Weissbluth.

It bought The Otto Group of Sarasota, Florida, which manages USD 320m in assets last week. It also signed up The Rand Group of Newport Beach, California and Maui, Hawaii, which managed USD 200m in assets, for its technology and investment platform.

Weissbluth said the Chicago-based company is not actively pursuing an initial public offering or refinancing at this time.

HighTower, which has about USD 32bn in assets under management, previously concentrated on hiring brokers away from big securities firms instead of buying whole firms. The company, a combination of a registered investment advisor (RIA) and broker/dealer, expects to complete a "handful" of acquisitions yet this year, Weissbluth said.

When looking at acquisition candidates, Weissbluth said HighTower doesn't focus as much on an advisor's size as it does culture.

"It doesn't make a difference whether they're a USD 300m practice or a USD 2bn practice," he added. "It really has to do with the people."

While the company used to focus its efforts on major financial centers, Weissbluth said it is now "geographically agnostic" since it is both acquiring advisors and selling access to its platform.

The company's platform, with its proprietary technology and investment services, has become its fastest growing business, he said. It includes HighTower's Blueprint for Growth practice management tools, as well as front-, middle- and back-office services to independent RIAs and groups that want to become independent. Firms pay 15-20% of their revenue in exchange for platform access.

The potential of the company's platform is bigger than growth through acquisitions, he said. Weissbluth estimated there are about 4,500 wirehouse acquisitions it might consider while there are as many as 25,000 teams that are potential platform users.

Weissbluth said HighTower is exceeding its goal of boosting year-over-year revenue by more than 25%.

The company, founded in 2008, initially raised USD 165m from private investors including Asset Management Finance; Credit Suisse; S. Pottruck, former CEO of Charles Schwab; and Phillip Purcell, Morgan Stanley's former CEO.

Weissbluth acknowledged that HighTower will eventually have to either return the capital to the initial investors by either bringing in new private equity or taking the company public.

"Down the road, we'll assess the market," he said.

HighTower is one of a few asset managers that could test the public market, according to an industry banker cited in a previous *Mergermarket* report. The banker also named Focus Financial and United Capital Advisors as IPO candidates. The company could look to go public in late 2016, according to the report.

Asset managers typically need between USD 20bn and USD 40bn in assets to go public, according to a banker cited in the report.

**Dan Seivert** of **ECHELON Partners**, said HighTower's growth is above the industry average. Still, he said, the company may only be about halfway to the level of profits needed for optimal IPO success.

Given HighTower's assets under management, Seivert estimated its revenues roughly at more than USD 200m, which would translate to profits of about USD 50m. He said firms probably should have about USD 100m of more in profits to consider an IPO. HighTower declined to provide revenue or EBITDA figures.

"Firms have done it for less and there are certainly firms that are public that have less, but if you really want to optimize your success, anything over that threshold is really important," Seivert said.

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