

## FOCUS FORGOES IPO FOR DEAL WITH KKR, STONE POINT

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Late last year, news reports speculated that Focus Financial Partners had confidentially filed for an initial public offering. But with the firm's announcement Wednesday, it looks as though going public is off the table—at least for now. Private equity firms Stone Point Capital and KKR will acquire about a 70 percent stake in the firm, valuing the company at about \$2 billion.

"When you're bringing two of the most sophisticated private equity houses in the world into an investment like this, obviously, it's unlikely that you'll immediately flip into an IPO; that would not make sense as a strategy," said Rudy Adolf, founder and CEO of Focus, in an interview with WealthManagement.com. "No question, Focus had the financial strength, the track record, the organizational readiness to tap into the public market for quite a number of years."

But Adolf and the management team felt staying private was the best option. The firm hired Goldman Sachs, Bank of America and the Bank of Montreal to guide it on strategic options late last year. This is the third major liquidity event that Focus has created since 2013, and once the transaction is completed, it will have returned well over \$1 billion to its shareholders over the last 3 1/2 years. The firm has an annual revenue of north of \$500 million.

"If and when the time is right, we will evaluate the decision to go into the public markets," Adolf said.

"Management has largely been trying to figure out how they're going to get to the next level," said **Dan Seivert**, CEO and managing partner of **ECHELON Partners**. "It's a lot easier to have success if you do a recap with private equity partners and stay private than it is to stay successful after doing an IPO.

"It's very, very hard to meet the demands of quarterly growth, progress and having a public view into everything that's going on," he said.

KKR and Stone Point might need their own liquidity event and force the firm to go public, Seivert said. But most private equity firms have a holding period of four to six years.

A \$2 billion valuation is a pretty healthy position for going public, Seivert added, but since the firm didn't, a better indicator of how big the deal was is the caliber of the private equity investors involved.

"You're kind of working now with the top tier of the biggest firms in KKR and Stone Point," he said. "What comes with that is higher-level contacts, more experience, and the ability to pull strings to make other deals happen to create value."

These are not the first large private equity shops to get into the wealth management space; there are over 60 private equity firms invested in the industry, including some big names like Carlyle and Texas Pacific Group, Seivert said.

Focus claims to be the biggest source of capital in the registered investment advisory industry, and has helped its partner firms finance many deals of their own.

"When you look at many of our partner firms, whether it's the Colony Group, Buckingham, JFS, Bridgewater and many others, they have simply doubled, tripled, quadrupled based on their own growth models internally, but ultimately by tapping into our capital and expertise to facilitate mergers," Adolf said.

The firm currently has 46 partner firms across the U.S., Australia, Canada and the United Kingdom. Focus completed 21 deals last year and about seven deals so far this year. About a quarter of its partners include teams that were lifted out from the wirehouses.