

FIDUCIARY NETWORK POSTS A 'FOR SALE' SIGN

7/19/2018 Originally Published by Jeff Benjamin, InvestmentNews

Fiduciary Network, a Dallas-based consolidator of advisory firms, has become the latest organization in the space to test its value on the open market.

A report this week by Financial Planning confirmed what had been rumored for months: The 11-year-old business established as a succession plan structure for advisory firms is looking for a buyer.

Fiduciary Network was founded in 2007 by Mark Hurley, who is now a minority owner, and it has gone through some legal scuffles with New York-based Emigrant Bank, which owns 75% of the business.

Fiduciary Network and Emigrant Bank did not respond to requests for comment for this story.

The fact that Mr. Hurley and the bank's leadership have been at odds for months over how and if to sell the business, which has partial ownership stakes in 17 advisory firms, could be a hurdle for any potential sale.

The advisory firms in which Fiduciary Network holds a stake include Regent Atlantic, Brouwer & Janachowski, Evensky & Katz/Foldes Financial, Legacy Wealth Management, Sand Hill Global Advisors and Radnor Financial Advisors.

But the timing for putting this kind of business on the market couldn't be better, according to **Carolyn Armitage**, managing director at the investment bank **ECHELON Partners**.

"The timing for Fiduciary Network is great due to the huge amount of dry powder that private equity currently has built up," she said. "Demand for wealth management firms is at an all-time high as they continue to demonstrate stable cash flow and growth opportunities."

The news that Fiduciary Network is seeking a buyer comes just days after Focus Financial Partners filed to raise \$600 million through an initial public stock offering, valuing that consolidator business at \$2.5 billion.

The Fiduciary Network model was among the earliest platforms to provide turnkey succession planning by offering financing to younger advisers who wanted to buy out their firm's senior-level ownership.

"Our research shows that 47% of RIA acquirers have been strategic or consolidator buyers, the highest in a decade," Ms. Armitage said.

David DeVoe, managing director at the investment bank DeVoe & Co., pointed out that any firm acquiring Fiduciary Network would need access to financing for underlying advisory firms to continue the succession-plan model.

"Any buyer would need a high degree of sophistication and some deep pockets, but the good news is there are a lot of sophisticated buyers interested in the space," he said. "It's an interesting opportunity. On one hand, there are a number of very well-managed firms that are part of the portfolio. Conversely, there is risk and complexity for a potential buyer, who would have to be comfortable with minority stakes in a number of different organizations."