

**RIA SEMIANNUAL M&A VOLUME SURGES BY 24%**

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Another record-setting quarter of deals was realized in the second quarter of 2018, pushing the pace for a sixth record year in a row, according to a new report.

The 2nd quarter 2018 **ECHELON RIA M&A Deal Report** finds that a highest-ever 48 RIA M&A transactions were completed in the second quarter, supporting the firm's forecast of 189 total deals for the full year of 2018.

The report, which reviews key transactions, trends and M&A activity in the U.S. wealth and investment management industries, further notes that these second quarter transactions were 14% higher than the 2017 quarterly average of 42 deals, resulting in the highest quarter of RIA M&A transactions ever recorded. This reportedly marks just the second time in the past five years that second quarter RIA M&A activity exceeded first quarter activity.

Meanwhile, breakaway activity continued at a steady pace in the second quarter, with 123 departures, as fears of an impending end to the broker protocol pact have subsided, the report observes. While the second quarter level was slightly lower than the first quarter's 128 breakaways, it marks a 71% increase over the 72 breakaways reported in the second quarter of 2017.

The authors believe that the "precipitous spike" in breakaway activity will continue over the coming months as advisors actively seek independence and the perceived legal risk for departing with clients diminishes.

Moreover, the firm notes that successful first quarter breakaways resulting in limited legal backlash appear to have strengthened advisor confidence. According to the data, the 123 breakaways in the second quarter was 18% above the historic average of 104 quarterly breakaways over the past 21 quarters.

"We are looking back on the most active RIA M&A quarter ever, exemplifying the current strength of the RIA marketplace," explains **Mike Wunderli**, Managing Director at **ECHELON Partners**. "Economic conditions have also allowed breakaways to remain at near-record levels, as advisors seem to have gained confidence from witnessing so many successful breakaways in Q1."

The average deal size is also on pace to exceed \$1 billion for the third straight year. According to the report, the second quarter of 2018 achieved an average transaction size of over \$1.3 billion — an increase of 34% over 2017's \$1 billion average deal size.

In addition, consolidators appear to maintain control of RIA deal activity. The firm explains that well-capitalized, strategic buyers and consolidators in search of growth platforms and scale accounted for 46% of RIA purchases in the second quarter of 2018, comprising 22 deals.

This activity was marked by the acquisition of Financial Engines' \$169 billion in AUM by Hellman & Friedman and Edelman Financial Services, as the two firms increasingly seek established businesses that fit their investment criteria, the report notes.

"The [Financial Engines] deal highlights the strength of the RIA M&A market and exemplifies how perennial deal makers, such as KKR, Parthenon Capital Partners, and more recently Hellman & Friedman, have provided fuel to the fire," the firm notes.

The report further observes, however, that there has been a resurgence among bank buyers, explaining that senior advisors looking to retire and transition their businesses are seeking experienced successors who can sustain the growth and culture of their firms. "Given the market environment, and age of the current business cycle, we expect the M&A and breakaway activity to continue, if not accelerate, in the second half of 2018," notes **Carolyn Armitage**, a Managing Director at **ECHELON Partners**.

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