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NEWS RELEASE

M&A MARKET FOR RIAs CONTINUES RECORD PACE

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RIA mergers and acquisitions hit a record in the first half of this year, and there are many signs – anecdotal and statistical – that the year's second half could be much stronger.

"When you talk to investment bankers, the pipeline is there and growing," said David DeVoe, managing director of strategic development at Schwab Advisor Services.

Through June 30, RIAs knocked out 40 mergers and acquisitions representing \$30 billion of assets, according to the Charles Schwab Corp., which tracks merger activity. Sixteen of those deals came in the second quarter. Second quarters tend to be weak every year with 12, 14 and 10 M&A deals counted by Schwab in 2007, 2008 and 2009 respectively.

The record level of activity this year is being driven by smaller firms. Of the deals completed so far, 55% were \$250 million or less. In prior years, these smaller deals typically were only 33% of the total. The average deal size was \$771 million in this year's first half. See stories of recent mergers: Two Silicon Valley RIAs marry their practices to lay the groundwork for succession and HighTower Advisors nabs a UBS team and shifts to new recruiting gear.

Reading the tea leaves

Typically only 38% of RIA M&A deals are done in the year's first half. Some of the stats that have served as good indicators in the past for deal activity are looking positive, DeVoe says.

For instance, the M&A webinars that Schwab is broadcasting this year are averaging about 200 participants, up from closer to 50 or 60 in the past couple of years, DeVoe says.

In addition, seller listings on Schwab's online M&A matching service are up 40% and buyer listings are up 50% from last year. The activity [buyers and sellers communicating online] is up 70% on this website, he adds.

One investment banker, **Dan Seivert**, CEO of **ECHELON Partners** of Manhattan Beach, Calif., says he sees pent-up supply of sellers."

Would-be selling RIAs held off while valuations were depressed in 2008 and 2009 but cash flows and valuation multiples have started to recover, Seivert explains.

Selling activity should be strong if the Dow Jones industrial index holds in the 10,000 to 12,000 range. If it goes lower than 10,000, sellers will hold out for better valuations but if it jumps above 12,000, buyer interest will begin to ebb a bit as they — for the time being — become more satisfied with organic growth.

"It's in a pretty good spot" right now, he says.

ABOUT ECHELON PARTNERS

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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