

Case study: Fueling Growth through Acquisition

Dave U. has been very active in the investment advisory M & A space. Having completed five acquisitions in the last six years, Dave has successfully grown his firm from under \$15 million in AUM to over \$140 million. How did Dave get involved in acquisitions? He started by understanding that his core competencies were in business management and client service. However, marketing and sales were not his forte. So in order to grow, Dave knew that he needed to leverage his keen insight into business management and his firm's infrastructure. In his mind, acquiring practices would be an ideal way to continue to grow his firm.

Although Dave used a trial and error process in the early days, he has since been able to hone his strategy and approach into an efficient and powerful growth engine. Through this process, Dave has been able to key in on the important aspects that make for a successful transaction. Dave focuses on targeting firms similar to his own, which is predominantly fee-based. This may seem like an obvious tip, however, the successful integration of the acquired business is where the actual value of the transaction is realized and the easier it is to on-board the new clients, the higher the retention rate. The other aspect of fee-based business is that the revenues from the acquired firm are easier to predict and value, as well as provide the steady cash flow to finance the transaction.

Dave also recommends working with motivated, involved sellers. The key reason for this is that the role of the seller in helping to transition the clients to the new firm is critical in ensuring that there is a high retention rate. Additionally, the seller needs to understand that there is a short timeframe for them to be involved and then they need to move on. In Dave's experience, if the seller has any doubts, or may want to re-enter the business at a later time, it can only spell trouble. In these cases, carefully worded non-compete and non-solicitation agreements are extremely important to ensure that there are no conflicts down the road.

Geography can also play an important role. Dave found out that while it can work, acquiring practices outside of your geographic area brings in added complexities and time due to the need to constantly travel back and forth between the two businesses. In these cases, to make it work, the existing infrastructure and administrative staff need to continue in their roles so that the clients have comfort that their needs will be met on a daily basis.

When searching for acquisition candidates, Dave highly values Raymond James' resources. He has used the listing service on the Raymond James Web site and keeps a constant eye for new postings. Through this service, he was able to find an excellent acquisition opportunity. Additionally, Dave has tapped into the financing resources through Raymond James to obtain financing for the down payment.

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