

Dynasty Financial IPO casts doubt on the future of the platform

BY JEFF BENJAMIN

DYNASTY FINANCIAL Partners is turning to the public equity markets to support its strategy of helping wirehouse representatives break away to become independent financial advisers.

According to the filing with the Securities and Exchange Commission, St. Petersburg, Florida-based Dynasty is seeking to raise \$100 million through an upcoming initial public stock offering. The stock will

\$100M

AMOUNT OF FUNDS DYNASTY
SEEKS TO RAISE IN OFFERING

list on the Nasdaq under the ticker symbol DSTY.

The IPO would place Dynasty on a short list of firms offering investors various exposures to the fast-growing wealth management space, which has become the darling of deep-pocketed private equity investors.

CONTINUED ON PAGE 24 ➔

DYNASTY FINANCIAL

➔ CONTINUED FROM PAGE 2

Other examples of publicly traded plays in the wealth management space include Focus Financial Partners (FOCS), AssetMark Financial Holdings (AMK), Envestnet (ENV) and CI Financial (CIXX).

Among those firms, Envestnet's stock price has a 12-month return of negative 15.6%, AssetMark is up 2.9%, Focus is up 3.2%, and Toronto-based CI is up 63.7%.

'TREND WILL CONTINUE'

Dynasty was founded in 2010 and has grown to a network of 46 RIAs with 292 advisers and nearly \$65 billion in client assets.

"The IPO is very exciting as a further validation of the success of

this story.

David DeVoe, managing director of DeVoe & Co., described the IPO as "another important milestone for the company."

"Dynasty's continued success will not necessarily increase industry M&A activity," DeVoe said. "Although some of their clients might choose to execute transactions, that volume would likely be more than offset by the implications of their platform: Joining a platform like Dynasty can be Option B versus an external sale."

THE OTHER QUESTION

Assuming Dynasty is embracing the public equity markets to help fuel continued expansion, the other question is how big such a platform can become before it starts to resemble the types of businesses that the



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the RIA space," said Louis Diamond, president of Diamond Consultants.

"Dynasty's main business is breaking away large wirehouse teams to form RIAs, and this IPO says their bankers and the investing public believes the breakaway trend will continue," Diamond said. "They have a number of capital solutions, but this is not a cheap business to be in. The IPO enables them to keep expanding the team."

While access to the public equity markets is likely to expand Dynasty's business model of recruiting wirehouse breakaways and offering technology services to independent advisers, it will also provide some liquidity to Dynasty insiders.

Dynasty representatives did not respond to a request for comment for

breakaway brokers left in order to become independent.

"At what point does joining Dynasty start to be like joining a wirehouse?" said Charles Failla, founder and principal of Sovereign Financial Group.

Failla started Sovereign three years ago after breaking away from Raymond James. The firm, which he describes as a "mini-Dynasty platform," has grown to 10 advisers and \$700 million.

"We've already made the commitment to grow to no more than 40 advisers," Failla said. "I'm very cynical and wonder if we're looking at peak valuation with this IPO. I guess it depends on what they're planning to do with the money."

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