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## Captrust confirms more and larger acquisitions on the horizon

*With its first taste of PE capital, the \$390 billion aggregator is poised for ramped up activity*  
*InvestmentNews*

By Jeff Benjamin

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With three acquisitions under its belt already this year on the heels of five deals last year and seven in 2018, Captrust has clearly mastered a merger-and-acquisition growth strategy that goes back to its first deal in 2006.

But news this week that the long-time holdout on partnering with private equity investors has taken PE funding suggests a whole new level of acquisition-fueled growth for the \$390 billion firm.

“For our long history we have been proud of the fact we funded growth internally and grew organically,” said Ben Goldstein, Captrust president and chief operating officer.

According to Echelon Partners, private equity has been steadily migrating into the wealth management industry, with more than 275 PE firms now actively investing in the space, up from 75 PE firms in 2008.

“Now that so many firms have (sold stakes to PE investors), the long term holdouts can see the valuations being applied, the size of the liquidity event they get, the assistance they can get with growth and deal making, the ability to diversify their single stock private company ownership position, they can gain more capital to do deals, and they can take advantage of the huge run up in equity markets,” said Echelon’s CEO Daniel Seivert.

In an industry seemingly flooded with PE investors fueling consolidation by scarfing up ownership stakes, there is often a point of pride in not taking the outside capital.

But what changed the attitude at the Raleigh, N.C.-based Captrust is “not a simple answer,” according to Goldstein.

“In mid-2019 we saw the opportunities were getting larger, and the opportunities over the next 10 years are massive,” he said. “And we don’t want a great deal of bank debt, and we knew the market was due for some difficult times ahead.”

Based on those four factors, Goldstein said, “The logical conclusion was that maybe it is time to take the next step in the maturation of our company and seek a really good outside partner, with really strict guidelines that includes minority ownership and a long-term investment.”

In a somewhat unusual practice when it comes to PE deals, Captrust, as a private company, shared more details than most, including that Chicago-based GTCR's 25% ownership stake values Captrust at \$1.25 billion.

Goldstein didn't disclose the exact amount of money the PE firm paid for the 25% stake, but said it would be inaccurate to simply divide \$1.25 billion by four, because there are other factors involved in the deal, including providing GTCR with two of the nine Captrust board seats.

GTCR is committed to a seven-year ownership period.

Asked whether that could lead to new PE owners as part of a perpetual cycle, Goldstein acknowledged it as a possibility.

But he added, "We could decide to buy it back or go public; it would be at our disposal at that point."

Currently, most of Captrust's \$390 billion under advisement is attributed to lower-paying retirement plan assets. The firm lists \$45 billion in managed assets.

"At this point, they're getting 40% of their revenues from wealth management and I think they're trying to get to 50%," said Fred Barstein, founder and chief executive of The Retirement Advisor University and The Plan Sponsor University.

"Captrust is far ahead of the other aggregators in terms of leveraging their wealth management capabilities within retirement plans, and they see the world coming together and they see a huge opportunity," he added.

David DeVoe, founder and CEO of DeVoe & Co., agreed that the PE influence will push Captrust to the next level as an aggregator firm.

"GTCR's investment signals that big growth is ahead for Captrust," he said. "They have become one of the leading acquirers and continue to move upmarket with the size of the firms they acquire. Firms that join them are attracted to how they can help them accelerate their own growth. So, growth is a big part of the story here."

Goldstein doesn't deny any of it. And it looks like the stage is set for more and bigger deals by Captrust.

"You will definitely see larger deals because there are larger deals we're looking at and that seems to be the trend," he said. "We're not interested in every transaction; we prefer to be highly selective, but I'd be surprised if we don't increase the velocity and size of transactions."