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## Turning down bids, Richardson GMP opts to expand from within

By Andrew Willis

*Canada's largest independent broker will not be sold*

One of Canada's wealthiest families and a leading investment bank showed their faith in the wealth management industry Thursday, as the owners of Richardson GMP Ltd. opted to turn down a \$600-million payday and aggressively build up the country's largest independent brokerage firm.

Winnipeg's Richardson clan and GMP Capital Inc. co-own Richardson GMP with the firm's 900 employees and have been debating the firm's future for several months. Years ago, the owners struck a deal that allows each to sell their stakes after Nov. 15, 2016. Ahead of that deadline, the owners reviewed all options, including talks with potential buyers, spinning off the business through an initial public offering or sticking with the status quo.

Several suitors bid for Richardson GMP, according to sources involved in the talks, with Toronto-Dominion Bank making a \$600-million offer earlier this month. The global wealth management industry has been consolidating around its largest players for two decades; in Canada, the banks have used their scale and deep pockets to snap up independent firms.

Family holding company Richardson Partners Financial Ltd. and GMP Capital decided this week to keep their stakes and work together to expand the firm. Richardson GMP CEO Andrew Marsh said in an interview that, with the ownership issue settled, the firm plans to step up recruitment of investment advisers. He said: "We have the country's premier wealth management platform and we believe that we can attract the best advisers in the business."

Richardson GMP has \$28.3-billion in assets and approximately 200 teams of investment advisers. It generates more than 75 per cent of its revenue from client advisory fees, a dependable flow of cash in a business that is notoriously cyclical.

GMP Capital CEO Harris Fricker said that, for financial and strategic reasons, "staying the course is the right decision. We see enormous growth potential in wealth management and all our businesses."

As co-owner of a wealth manager, GMP Capital is better positioned to distribute stocks and bonds from its core underwriting platform. The company bulked up that business in August by acquiring Calgary-based investment bank FirstEnergy Capital Corp. for \$99-million.

The Richardson family's roots are in agriculture – patriarch James Richardson began trading grain in 1857 – but they have been patient investors in financial services companies since the 1920s, spending 70 years building investment dealer Richardson Greenshields before selling it to Royal Bank in 1996 for \$480-million.

Richardson GMP advisers focus on serving high-net-worth clients, which is considered the most attractive wealth management sector due to the predictability of the fees that come from managing large portfolios. The firm has the second most assets per adviser in Canada, at \$142-million, trailing only Royal Bank of Canada.

In the most recent quarter, Richardson GMP reported a 7 per cent increase in revenue to \$71-million and a 42-per-cent jump in earnings before interest, taxes, depreciation and amortization (EBITDA) to \$11-million, as the firm eliminated costs that sprang from past acquisitions. Results are expected to continue to improve, in part because Mr. Marsh said the firm's debt will be eliminated within three years.

Richardson GMP was created in 2009, when GMP Capital merged its wealth-management arm with that of Richardson Partners. GMP and Richardson Partners each own approximately 30 per cent, with the firm's retail advisers owning the remaining 40 per cent.

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