

# Forward progress

**Steve Young – yes, that Steve Young – sees tremendous potential in the RIA space**



**Steve Young has plenty of accolades attached to his name. Three first-team All-Pro honors. Two NFL MVP awards. A Super Bowl MVP, which he earned for flambéing the overwhelmed San Diego Chargers to the tune of six touchdown passes in January 1995.**

Can he and HGGC – the private equity firm he helms as president – put on a similar performance as they look to establish themselves as a serious player for RIAs?

HGGC, formerly known as Huntsman Gay Global Capital, has directly invested in three \$1bn-plus RIAs in a little more than a year: \$5.6bn Merit Financial Group in Atlanta, \$4bn Warren Averett Asset Management in Birmingham, Ala., and \$2.7bn Apella Capital in Glastonbury, Conn. The PE firm screens its investments based on the relationship it thinks it can build with management.

‘We have not made an acquisition or investment in the RIA space that hasn’t been foundationally about a sense of partnership and finding that strategic vision together,’ Young told Citywire. ‘I think that resonates with people.’

# ALL OUR INVESTMENTS ARE BASED ON PARTNERSHIP AND FINDING A STRATEGIC VISION

The approach may serve as a key differentiator in an M&A landscape where access to plentiful capital in a low-interest-rate environment is merely table stakes.

‘My brother’s an ER doctor, and that job is so transactional, it’s ridiculous. He needs people to come in, patch them up, get them on their way,’ Young said. ‘That’s not us. We are a family practitioner, [to continue the] medical analogy. We feel like the RIA space is built for us. That’s how we look at it.’

The focus on relationships makes sense in light of Young’s view that many different business models can thrive in the growing RIA space.

‘In the end, it’s going to be about service. People do not want a wealth manager that doesn’t make them feel like they’re being served,’ Young said. ‘There will be some RIAs that get bigger. There are some that will go public. But if they can serve the same way that a small RIA can, they’ll be fine. There will be a place for everybody in the market.’

HGGC partner Neil White – the private equity firm’s primary liaison to its RIA investments – struck a similar tone.



Neil White and Steve Young

‘We’ve had great success and continue to focus on areas of financial services where you have high cashflow generation. You have, most importantly, great service to the end customers,’ White said. ‘There’s stability. There’s not a lot of concentration by any one individual provider or customer. You have limited capital intensity in those businesses, really recurring customer relationships.’

While not a financial services specialist like Lightyear Capital, HGGC entered the RIA market in late 2020 with some wealth management experience. The firm has backed annuity distributor Integrity Marketing since 2016, with Young serving as Integrity’s chair.

However, HGGC has elected to partner with a domain expert co-investor on all three of its RIAs so far: Wealth Partners Capital Group, a serial RIA minority investor helmed by veteran industry executives John Copeland, Rich Gill and Sean Bresnan.

## **Eligible receivers**

Young majored in finance at Brigham Young University and later earned a law degree from the school while playing for the San Francisco 49ers. After a vicious hit from Arizona Cardinals cornerback Aeneas Williams forced him into

retirement in 1999, Young briefly worked for a fund of funds, then launched PE firm Sorenson Capital in 2001 with former Morgan Stanley investment banker Rich Lawson and Bain Capital executive Robert Gay. Sorenson relaunched as HGGC in 2007 after an investment from the late billionaire industrialist Jon Huntsman Sr.

HGGC may be able to win over PE-wary RIAs with a pitch that emphasizes collaboration beyond capital, but it certainly doesn't hurt to have a Hall of Fame reputation attached to its name to help get a foot in the door.

'Especially in the [fast-moving] RIA market – we talk to three or four people a week – maybe more come through,' Young said. 'In the spirit of trying to get a partnership started, I'll send a cold email making a connection to what we're doing in the RIA space using my previous life. All it can do is start a conversation. It does not help you transact.'