

Centric Wealth sold for \$130m

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Updated Jan 12, 2014 - 7.03pm,
first published at 2.24pm

Financial Index Wealth Accountants has entered into an agreement to buy high net worth advisory firm Centric Wealth, creating one of the largest independent financial advisory businesses with \$7.6 billion of funds under advice.

The Centric Wealth board has backed the offer, which will entitle shareholders to receive 8.9¢ per ordinary share. Centric, with former Wallaby Phil Kearns as chief executive, is 75 per cent owned by CHAMP Private Equity. The remaining 25 per cent is owned by 220 shareholders.

While the full amount has yet to be disclosed, CHAMP is understood to have raised about \$130 million from the sale.



Former Wallaby Phil Kearns is the chief executive of Centric Wealth, which has been sold to Financial Index Wealth Accountants for about \$130 million. **Photo: Nic Walker**

The private equity firm appointed Macquarie in July to sell the business at an estimated price of \$150 million. FIWA teamed up with KKR Asset Management, a division of United States private equity giant KKR, to acquire the wealth management business.

“They were invited to see our story a while ago; we needed a strong, non-aligned player looking at the Australian marketplace and they bought our story and, ultimately, backed us with the balance of the capital [we required],” FIWA chief executive Spiro Paule told *The Australian Financial Review*.

KKR is expected to have an equity stake equivalent to about one-third of the combined business after the acquisition. At \$7.6 billion of funds under advice, the transaction will create one of the largest financial advisory networks not aligned to the major banks or AMP, which tend to require their planning networks to sell related products to make the economics work.

“It’s barely a ripple if you look at the size of the banking sector but for independents, it’s a significant amount of money,” Mr Paule said.

Regulation an ‘opportunity for growth’

About 25 per cent of advisory firms have changed hands since the global financial crisis, according to Alex Dunnin of Rainmaker.

Mr Paule said the wave of regulation, including the Future of Financial Advice reforms, was an opportunity to grow his firm.

“We are leading the march into the post-regulatory reform agenda. They have introduced these reforms to eliminate conflicts of interest and provide quality advice at a more affordable price,” he said.

Mr Paule added: “The overview of Centric is more of the same. We have been doing acquisitions for 10 years; we have done well over 40. Centric is itself a roll-up of various firms and comes from the same place as us, but couldn’t accomplish the same values as our acquisitions.”

FIWA was advised by Jeff Singh of Chase Corporate Advisory.

The bid is expected to be lodged with the Australian Securities and Investments Commission on January 27, with the offer period opening on February 17 and closing on March 17.

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