Private Equity Has Big Plans for Ex-SunTrust Manager

By Morgan M. Davis December 12, 2013

Lightyear Capital's acquisition of RidgeWorth Investments will mean growth for the asset manager, says RidgeWorth CEO **Ashi Parikh**.

Lightyear is set to acquire the multi-boutique asset management firm from SunTrust Banks for $265 million in a deal set to close in the second quarter next year. RidgeWorth has $25.9 billion in institutional separate accounts out of its total $50.6 billion assets under management, as of the end of November.

The deal with Lightyear is a long time coming for RidgeWorth. SunTrust previously tried to sell RidgeWorth to Henderson Group in 2010, but the deal fell through.

"We've been planning for this for five years," says Parikh. "This is really about growth."

RidgeWorth's move means more independence for the Atlanta-based shop, Parikh says. He says RidgeWorth will be able to tap Lightyear's more than $2.5 billion in capital to expand its presence in the industry.

While being a part of SunTrust has allowed RidgeWorth to build its infrastructure and investment success, that is also something that can be continued going forward, says Parikh. "Now we have the platform so that we can add boutiques." SunTrust's client base also will remain a large user of RidgeWorth products, says Parikh.

RidgeWorth has many plans for its new capital, including adding more institutional client-facing resources. The firm hopes to also build its distribution and consultant relations teams with additional resources and staff, Parikh says. RidgeWorth will also "look to supplement [its] organic growth" with partnerships and acquisitions of boutiques to add to the five wholly owned boutiques and one minority-owned boutique currently in its stable, he says.

"We're in plain vanilla equity and fixed income," says Parikh. Over the next several years the firm hopes to develop new parts of its business, including alternative investments, real assets, international equity and fixed income, he says.

The move makes sense for RidgeWorth, says **Steven Levitt**, managing director of Park Sutton Advisors, a mergers and acquisitions specialist. "RidgeWorth will be a pure asset manager," he says. "Sometimes for all sorts of reasons there are cultural clashes with banks that do not always understand an asset management business."

Furthermore, because the RidgeWorth sale has been rumored for so long, the acquisition may take the firm out of the "penalty box" for consultants and clients, Levitt says. And having the firm emerge from bank ownership also may appeal to consultants, he says.

As a private equity firm, "Lightyear will have more motivation to invest capital in the business and seek to grow it, in tandem with management," says Levitt.

But Lightyear's purchase also may mean that RidgeWorth is still a few years away from having a final home. "Private equity firms typically invest and look to exit in three to five years," says Levitt. "This means that a future sale or IPO of this business is likely," he says. "At least [it] puts to bed what the next stage is."

Levitt adds that having the individuals at the firm increasing their individual ownership stakes will also help drive the business forward.

For asset managers like RidgeWorth, understanding the plans and motivations of the acquiring firm is critical, Levitt says. "It's really important … that you know who you're going with and [if] they will truly serve as a partner."

While some firms may have concerns about another transition in the future under a private equity deal, others are satisfied with the opportunity to gain independence. "They're going in with their eyes wide open," says **John Straus**, partner and co-founder of **FallLine Strategic Advisors**.

Companies like Lightyear have the capital and experience to "open so many doors and offer suggestions" for a firm looking to become independent, says Straus. "Anybody that is contemplating selling their business is going to have conversations with strategic buyers as well as financial buyers," he says. The route a firm chooses is dependent on its management and its level of comfort. Given that being acquired by a private equity firm typically means that an asset manager will no longer be a smaller part of a larger company, firms in this situation can shift to a mode of running their own businesses – something "that could be a big motivation" says Straus.

Relationships between parent firms and asset manager units vary, Straus says. Private equity firms tend to be more engaged with acquired asset managers in their portfolios than they have in the past, but the relationship is "symbiotic," he says. An asset manager often seeks out a private equity firm in order to facilitate its next move to independence, gain flexibility or open other opportunity, says Straus. "They all have similar goals; they all want their investment to increase in value," he says.

In that same vein, Parikh is excited about the prospect of more independence for his firm. "The ability to write the next chapter," he says, "that's what's so exciting."