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Why staying private has worked for Canada's wealth management winners

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Going public is supposed to give a growing company access to capital, liquidity for shareholders and a credible price for its shares. Yet, three of Canada's fastest-growing wealth firms have found another way to achieve these goals.

Wealthsimple Financial Corp., Wellington-Altus Financial Inc. and Harbourfront Holdings Inc. have attracted large institutional investors and built a real market for their private shares.

That may be one of the most overlooked reasons they have grown so quickly.

Private, but not illiquid

Wellington-Altus has completed three institutional equity transactions since 2021. The first raised up to $85-million for advisor recruitment and acquisitions, followed by another $40-million in 2023. Most recently, Kelso & Co. invested almost $400-million for a 25-per-cent stake, valuing Wellington-Altus at more than $1.5-billion and providing liquidity for existing shareholders. During this period, assets under administration (AUA) grew to more than $45-billion from about $20-billion.

Audax Private Equity invested in Harbourfront in 2022 at an estimated enterprise value of $425-million. This year, Berkshire Partners agreed to invest at a $1.775-billion valuation, with Audax remaining a significant shareholder. Harbourfront reports that its AUA has increased more than fivefold since Audax's investment, driven by advisor recruitment, technology investment and five acquisitions since 2023.

Wealthsimple has achieved similar results on a larger scale. Its valuation increased gradually from $1.5-billion in 2020 to $5-billion in 2021 and to $10-billion last year thanks to institutional equity investors. A round of financing held in 2021 included $500-million in secondary share sales. The latest round, supported by Dragoneer Investment Group, Singapore sovereign wealth fund GIC and CPP Investments, provided up to $200-million in shareholder liquidity and $550-million in new growth capital.

These are real valuations set by sophisticated investors, giving shareholders a credible price and a clear path to cashing out.

A listing doesn't guarantee liquidity

Going public has long been seen as the clearest path to shareholder liquidity. Canadian wealth management firms offer several reasons to question that assumption.

Richardson Wealth Ltd. used to operate under publicly traded RF Capital Group Inc., whose year-end share price fell to $7.52 in 2023 from $19 in 2021, a decline of roughly 60 per cent. As recently as its report to shareholders in the fourth quarter of 2024, the company described its shares as "thinly traded," meaning relatively few shares were available for public trading compared with its market value.

When iA Financial Group agreed to acquire RF Capital in 2025, it offered $20 a share, a 107-per-cent premium to the previous closing price. For investors who bought at GMP Capital's 2003 initial public offering (IPO) and held through the sale, the $20 offer represented a roughly 64-per-cent decline from the split-adjusted IPO price of $55, before dividends and other distributions.

Assante Corp. went public in 1999 with about 90 per cent of its shares initially held by advisors, managers and employees. By 2002, the company reported dedicating "considerable time and effort" to increasing investor awareness, analyst coverage and trading volumes.

When valuing employee stock options, Assante assumed annual share-price volatility of about 35 per cent, reflecting the uncertainty surrounding its stock at that time. In 2003, Assante sold its Canadian operations to CI Financial Corp., ending its short run as a public company despite growing profits and assets under management.

The point is that a public listing doesn't automatically create a strong market for a company's shares, so IPOs may be less useful for funding growth and acquisitions.

What liquidity buys

Once a company's shares have a proven market, they become a real competitive advantage.

Equity is more attractive to advisors when external investors validate the price and other shareholders have realized liquidity. That strengthens recruitment and retention, especially when advisors and employees are asked to exchange current compensation for future equity.

New capital invested directly into the business can fund acquisitions, technology, marketing and senior talent. Secondary transactions allow early shareholders to sell part of their stake without selling the company. The investor's reputation and due diligence can also strengthen the firm's credibility with recruits, clients and acquisition targets.

These effects are cumulative. A stronger platform attracts advisors, who bring assets and revenue. Increased scale enables further investment and higher valuations, making equity more valuable for future recruitment or acquisitions.

Wealth management firm owners should consider these three lessons:

1. Prove there's a market for your shares

Equity is effective only when employees, recruits and sellers trust the valuation and see a clear path to liquidity. Strong governance, transparent pricing and repeated outside investment are essential.

2. Use institutional capital to fund a repeatable growth plan

A single acquisition doesn't create scale. Firms require sufficient capital, management depth and the ability to integrate acquisitions so they can complete multiple transactions while continuing to serve clients and recruit advisors.

3. Choose a partner for more than the cheque

The right investor offers M&A experience, board support, operating resources and relationships that help a firm scale faster and avoid expensive mistakes. Valuation matters, but execution support is often more critical.

Selling shares doesn't have to mean selling out. Done well, it gives owners an independent valuation, a path to liquidity and fresh capital to keep building the business without changing its direction.

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