
Financial Engines acquires The Mutual Fund Store

By Editorial Staff *Wed, Nov 11, 2015*

Financial Engines has been an innovator in the retirement income space. Its Income+ service "is designed to manage your investments to create [non-guaranteed] payouts that can last into your early 1990s."

At a time when a digital/human hybrid is emerging as the financial advice delivery model of the future, Financial Engines, one of the big-three providers of online managed accounts to 401(k) participants, announced plans to buy The Mutual Fund Store LLC for \$560 million and get the human advisor capability it lacked.

"The acquisition will enable Financial Engines to expand its independent advisory services to 401(k) participants through comprehensive financial planning and the option to meet face-to-face with a dedicated financial advisor at one of more than 125 national locations," the company said in a release.

The Mutual Fund Store, owned by Warburg Pincus, is, like Financial Engines, a registered investment advisor. It has about 345 employees and 84,000 accounts at about 39,000 households. It manages \$9.8 billion, as of October 31, 2015.

Financial Engines has been an innovator in the retirement income space. According to the company's website, its Income+ service "is designed to manage your investments to create [non-guaranteed] payouts that can last into your early 1990s." Each year in retirement, "some stocks are converted into bonds so that payouts can go up over time."

If retirees using Income+ wants further protection against longevity risk, they can apply their bond fund assets to the purchase of an income annuity from a third-party insurance company. *RIJ* was unable to confirm whether or not Income+ would be offered direct to consumers through Financial Engines' newly-acquired retail outlets.

If the transaction closes as expected late in the first quarter of 2016, it is expected to produce 2016 earnings per share accretion of approximately 25%. Warburg Pincus will become Financial Engines' largest stockholder with a 12.5% stake, and Warburg Pincus managing director Michael Martin will join the Financial Engines' board.

For the company, post-acquisition, based on financial markets remaining at November 2, 2015 levels, through all of 2016, and taking into account an anticipated closing of the acquisition of The Mutual Fund Store in the first quarter of 2016, Financial Engines

estimates its 2016 revenue will be in the range of \$403 million and \$410 million and 2016 non-GAAP adjusted EBITDA will be in the range of \$125 million to \$130 million.

Under typical market conditions, Financial Engines estimates that 2016 revenue will be in the range of \$419 million to \$426 million and non-GAAP adjusted EBITDA will be in the range of \$137 million to \$142 million.

The total transaction purchase consideration includes approximately \$250 million in cash and 10 million shares of Financial Engines common stock. The combined company will be debt free following the transaction. Based on the common stock portion of the transaction.

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