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PRESENTATION

Operator

Good day. At this time, I would like to welcome everyone to the Focus Financial Partners Third Quarter 2018 Earnings Teleconference. Our host for today's call will be Chairman and Chief Executive Officer, Rudy Adolf; Chief Financial Officer, Jim Shanahan; and General Counsel, Rusty McGranahan. (Operator Instructions) .

I would now like to turn the call over to Mr. McGranahan. You may begin.

J. Russell McGranahan - *Focus Financial Partners Inc. - General Counsel*

Good morning, everyone. I'm Rusty McGranahan, the General Counsel of Focus Financial Partners. Before we begin, let me remind you that during the course of this call, we may make a number of forward-looking statements. We call your attention to the fact that Focus' results may, of course, differ from these statements. These statements are based on assumptions made by and information currently available to Focus Financial Partners, involve risks and uncertainties that could cause the results of Focus to materially differ from these statements. Focus has made filings with the SEC, which lists some of the factors that may cause its results to differ materially from these statements. And finally, Focus assumes no duty and does not undertake to update any such forward-looking statements.

With that, I will turn it over to our founder, Rudy.

Ruediger Adolf - *Focus Financial Partners Inc. - Founder, CEO & Chairman*

Thank you, Rusty, and good morning, everyone, and thank you for joining us today.

Here are the 3 messages that I would like you to take away from my remarks. First, Focus continues to operate in a highly supportive macro environment. The megatrends towards fiduciary advice continue and we welcome volatility as it demonstrates the value of prudent wealth management.

Second, as you will see, we have, again, demonstrated tremendous revenue and adjusted net income per share growth of 30.8% and 39.4%, respectively, well beyond our stated 2020 goal. As such, our third quarter results continue to demonstrate the strength of Focus' unique position has in our industry.

Third, we are very pleased by the quality and quantity of opportunities that we are currently working on. We are confident that Focus is well positioned to continue taking advantage of the tectonic shift affecting the financial planning and advice market.

As a high-growth business consolidating in an attractive industry, my partners and I always believe that an IPO was the most logical path in Focus life cycle and we've been delighted with the increased level of interest that we have been receiving from potential partners, now that we are a public company. We're confident in our current pipeline of opportunities and in the momentum provided by our portfolio partner firms.

We take our responsibility as a market leader in this $56 billion revenue financial planning and advice market very seriously. Focus' status as a partner of choice has been earned for a number of reasons. One of the most attractive benefits we offer is our promise to never turn a successful entrepreneur into an employee. This is Article 1 of the Focus Constitution and our entire business model and practice has been organized around this principle.

Furthermore, we attract successful entrepreneurs and we are constantly working to enhance our partner success by bringing expertise and best practices in marketing, technology, operations, HR management, compliance and by adding levels of purchasing power previously unavailable in this industry.

Historically, this industry has had very limited access to capital. We have become one of the largest dedicated conduits of capital into the space. Focus provides an attractive alternative to entrepreneurs by providing fair value to the founding generation while assisting the transition of leadership to the next generation. This is a unique solution we offer as advisors face the only true threat to this industry, inadequate succession planning.

While we are in acquisition-oriented firm, we have generated growth both organically and inorganically through our history and we are committed to operational excellence and leveraging our strengths to achieve economies of scale.

Before we continue, I would like to remind investors that our economics are very different from those of an asset manager. Our partner firms are providing holistic advice to clients. They become deeply and intimately ingrained in their financial and in personal lives. Our partner firms do not manage assets against the performance of a particular benchmark, but rather provide advice on everything from financial planning to major life events impacting a family.

Client portfolios are typically conservatively positioned, reducing equity market exposure. As a result, we are less exposed to the volatility of any given market. We estimate that approximately 25% of our revenues for the third quarter were not directly correlated to the financial markets. This is another reason that RIAs and hybrids continue to grow year after year. Clients need independent, client-centric, holistic advice and they need partners for the long run, and over multiple generations. The fiduciary advice model continues to grow every year versus the conflicted via houses and banks, which continue to lose significant assets and clients to the independent channel. We expect these trends to continue as we are seeing a movement towards independent fiduciary advice all over the world.

We believe we are well positioned to capitalize on these trends in the U.S. and abroad. In the U.S. alone, Focus has more than 500 suitable targets that could join us as partners and 5,000 firms that could be a good fit for our existing partner firms over time. In addition, through our independence program, we support the journey of brokers towards a model of fiduciary advice.

To-date, there are over 47,000 brokers within via houses. So Focus has a terrific opportunity to support the transition of a small, but highly qualified group of elite brokers.

Now let's review some of the other business highlights from our third quarter. In the third quarter, we, again, demonstrated excellent revenue growth of 30.8% and adjusted net income per share growth of 39.4%. As in prior periods, growth reflected a strong mix of both organic, at 9.7%, and inorganic growth. While we had strong performance, the revenues of the quarter were slightly impacted due to M&A timing and some onetime effects. With respect to adjusted net income per share, we exceeded our expectations with growth of 39.4% versus Q2 of 37.6% and beyond our 2020 guidance.

In the third quarter, we added 3 new partner firms: Asset Advisors, Edge Capital Group and Vista Wealth Management with $11.2 million in combined acquired base earnings. It's important to keep in mind that it is inherently difficult to predict with precision, the timing of closing of transactions.

At this point in the year, entrepreneurs are usually more inclined to schedule closings at the beginning of the next year. Importantly, at the end of the third quarter, we announced our planned acquisition of Loring Ward Holdings through a merger transaction with our existing partner firm, The Buckingham Family of Financial Services. When closed, this will be one of the largest transactions in our history and is a perfect example of how we are able to offer our partners' access to M&A expertise and capital in order to grow their businesses while executing highly accretive transactions.

Loring Ward and Buckingham had a strong relationship with peers prior to this transaction. And now, they are looking forward to growing the business as partners. The merger transaction with Buckingham is signed and on track to close on or about year-end and we are seeing early indications that the expected synergies would contribute to our combined growth.

Year-to-date, Q3 2018, we have demonstrated revenue and adjusted net income per share growth of 40.2% and 38.6%, respectively. This is driven by excellent organic growth and holding company M&A activity. This year, we have added a total of 8 new partner firms that represent a client base earnings of $37.8 million. The outstanding momentum we experienced is expected to continue in the foreseeable future due to the strong pipeline of acquisition opportunities ahead. In addition, through acquisitive growth, we will also continue to pursue opportunities to enhance the value-added services we provide to our partner firms.

As discussed during our roadshow, we viewed our IPO as an accelerator for the momentum of our business. We are very thrilled with the quality and quantity of opportunities that we see. Focus is working simultaneously on more opportunities than in any other time I can remember. This is primarily driven by our access to public currency as demonstrated in the Loring Ward transaction and the credibility that our industry sees in Focus now that we are a public company.

We're extremely excited by the quality and number of late-stage discussions we are having with the tremendous set of entrepreneurs. We're particularly excited that a number of our current transactions and many of deals reflected in our strong pipeline are mergers for existing partner firms. Of course, the Loring Ward deal with partner from Buckingham is unusual in its size and potential. However, Focus always has a preference to execute transactions as partner firm mergers. First, these mergers are an excellent value-add that we bring to our partners, including M&A expertise and discipline, combined with access to capital. Second, these deals are strategic and offer the highly synergistic from a revenue and expense perspective. Third, many of these deals provide an excellent opportunity to deploy our capital in a highly accretive way.

Given our tremendous existing network of 58 partner firms at September 30, 2018, we now have an opportunity to facilitate many more of these transactions that we hope to advise you of for years to come.

Based on our strong financial performance year-to-date, we're excited by our ability to continue to grow our business as a public company with the new doors that the IPO has opened for us. Our organic growth continues to be driven by highly supported macroenvironment that trends towards fiduciary advice. The underlying market volatility gives the advice market opportunity to demonstrate a unique value-add as opposed to other sectors. We believe we have a unique and attractive model and that we can leverage our strengths to continue to lead this industry for many years to come.

Now I'll hand the call to Jim for a more detailed review of the third quarter financials. Jim?

James Shanahan - *Focus Financial Partners Inc. - CFO*

Thank you, Rudy, and good morning, everybody. First, I'd like to offer a few comments on the format of our financial presentation. The financial statements and other GAAP disclosures contained in our press release and in our 10-Q include the results of Focus Financial Partners Inc., which is the public company and those of Focus Financial Partners, LLC of which Focus Financial Partners Inc. became the managing member and owner of the majority of the outstanding membership interests in a series of reorganization transactions that were completed on July 30, 2018, in connection with our IPO.

As a consequence, the GAAP loss per share information reported for this quarter reflects only the net loss attributable to common shareholders for the period from July 30, 2018 through September 30, 2018. We provide non-GAAP financial information to supplement our presentation, which takes into account results for the entire third quarter despite the fact that our IPO occurred in July.

As Rudy mentioned, our third quarter results represented strong financial performance for the company. We reported total revenue of $235.7 million in the third quarter, an increase of 30.8% or $55.4 million compared to the third quarter of last year. Wealth management fees increased $51.3 million or 30.3% compared to the third quarter of last year. Additionally, in excess of 90% of our revenues continued to be fee-based and recurring.

Approximately $36.5 million of the revenue growth during the quarter was the result of new partner firm acquisitions completed after the third quarter of last year. Organic revenue growth was 9.7% compared to 14.4% in the third quarter of 2017.

Loss from operations was $14.3 million as compared to $11.0 million in the third quarter of 2017. Interest expense for the quarter was $13.0 million compared to $14.3 million in the third quarter of 2017. In connection with our IPO, we repaid the $207 million second lien term loan outstanding and we paid down the first lien term loan by $185.5 million.

Net loss in the third quarter of 2018 was $38.9 million compared to a net loss of $37.9 million in the third quarter of 2017.

For the 3 months ended September 30, 2018, adjusted net income per share was $0.46 per share.

Now shifting to the reported Q3 balance sheet. As of September 30, 2018, we had cash and cash equivalents of $98.4 million compared to $51.5 million at December 31, 2017. We had approximately $801 million stated value outstanding on our credit facilities at September 30, 2018 compared to $1.0 billion at December 31, 2017. All $801 million represents a term loan borrowings at September 30, 2018.

As we've discussed previously, on July 30, 2018, an amendment to our credit facility became effective in connection with the closing of our IPO. The amendment reduced the interest rate margin on our term loan and revolver and increased the borrowing capacity under our revolver from $250 million to $650 million. This revolver will be primarily used for acquisition activity. There were no revolver borrowings outstanding at September 30, 2018.

As Rudy mentioned, we have added 8 new partner firms with combined acquired base earnings of approximately $37.8 million and we are confident in our ability to continue growing both organically and through acquisitions. While we will not be providing specific revenue on our earnings guidance, we remain confident in our ability to execute on our long-term strategy of growing annual revenue and adjusted net income per share 20% on average, and over time.

Now I'll turn it back over to Rudy to provide some concluding remarks. Rudy?

Ruediger Adolf - *Focus Financial Partners Inc. - Founder, CEO & Chairman*

Thank you, Jim. In summary, we believe the strengths of our third quarter performance demonstrates the value proposition of our unique differentiated partnership model and fiduciary approach to wealth management. Our track record as a public company is off to a tremendous start and we believe Focus has a very bright future.

With that, we'll now open the call for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Alex Blostein of Goldman Sachs.

Alexander Blostein - *Goldman Sachs Group Inc., Research Division - Lead Capital Markets Analyst*

So Rudy, first question for you. Just hoping that you could comment on recent market trends and obviously, the fact that the banks have got a little bit choppier so if you could comment on how that's impacting your conversations with potential targets, I guess, both on the Focus level and the partner level. From your comments, it sounds like maybe there's a little bit of a seasonal slowdown in Q4, but just thinking, bigger picture for any more choppy backdrop, how does that impact the deal pipeline?

Ruediger Adolf - *Focus Financial Partners Inc. - Founder, CEO & Chairman*

Yes. Thanks, Alex. So as we discussed in the road show, we are primarily operating in the high net worth and ultrahigh net worth segment. And we are first and foremost, yes, in the wealth preservation business. Yes, in fact, in so many ways when I see this volatility, it's actually a good thing because what it shows is the value of prudent fiduciary advice, which is what our partners are really focusing on. So as I said in my remarks, in so many ways, I like the volatility. I think it's a good thing. And I don't see some major impact in terms of our flows or if there's one thing we learned in 2008, our client retention remained excellent. And what really helped was ultimately the very prudent approach that our partners took towards the constructing their portfolios.

Alexander Blostein - *Goldman Sachs Group Inc., Research Division - Lead Capital Markets Analyst*

Got it. And then the second question, again, kind of going back to the environment. So 25% of revenues, obviously, not market related but the other 75% is. So can you guys help us understand I guess, given the market weakness in the fourth quarter, how we should think about the revenue impact on Q4 aside from obviously, the inorganic initiatives and kind of how that's going to come through, but just on an organic base, how that should impact Q4 results?

Ruediger Adolf - *Focus Financial Partners Inc. - Founder, CEO & Chairman*

Yes. So you are correct. Yes, 25% is non-correlated. Yes, the balance, you should think about it's really a balance portfolio between equities and fixed income. And of course, this is primarily an impact on the equity markets. We ultimately believe that based on what I've said before, this prudent balance of asset management, that there will be no major impact on us from a revenue perspective or from an EBITDA perspective.

James Shanahan - *Focus Financial Partners Inc. - CFO*

Yes. Just a couple of things to add there, Alex. Remember, our revenue is 90-plus percent fee-based recurring and just from a P&L perspective, obviously, the management fees are 100% variable and we have the unique model with the preference in our model. So obviously, year-to-date, for the 9 months, we've closed on $37.8 million of new preference and obviously, in '17, we previously disclosed $44.2 million or even if you go back to 2016, there's $23.2 million. Obviously, a number of firms have graduated a bit beyond target earnings. But it's not just the sensitivity on the revenue line that is 90-plus percent fee-based recurring. It's also the cash flow model that you have to look at on the unique model that we have with the preference.

Operator

Our next question comes from the line of Mike Carrier of Bank of America Merrill Lynch.

Michael Roger Carrier - *BofA Merrill Lynch, Research Division - Director*

Maybe first one. Just on the revenues in the quarter, if we look at the organic, Rudy, I think you mentioned there was maybe some impact on M&A timing and some onetime items that may be weighed on the organic growth rate. So just any color around that? Because I think if we look at it on a year-over-year basis, just from like the market impact, it seems like the market tailwind would have been at least somewhat of a benefit, granted that the client asset mix is not all equities, meaning it's more balanced, but just any color that might have limited the organic growth in the quarter?

Ruediger Adolf - *Focus Financial Partners Inc. - Founder, CEO & Chairman*

Yes, yes, I'm happy to. First, let me just state the 9.7% same-store is, I think, an excellent number. And you also have to see in the context of our guidance of 20% revenue growth of which about half is coming from organic. Specifically, yes, when you look through the M&A timing, the impact when they close the deal within the quarter, but I think in the third months, in the second month, the first month, is substantial. And so for example, as we have announced the Loring Ward transaction, we expect to close on or about at the end of the year. It's going to be a very big number that will basically help in the fourth quarter. However, it really depends when we really close it in the final moment. The onetime event, we basically had one partner firm that's split within 2 pieces. The piece that was an excellent fit with Focus we retained. Another small part, we ultimately separated from, so there was a onetime event that was unique to this quarter, but again, small in the greater scheme of things. But as we think about these -- the organic growth number, what's really important to remember is, so Jim said before, 19% plus fee-based recurring, yes? In any market environment, we are not worried about client retention. Client retention is very, very strong throughout, and as I said before, is always -- we learned that client retention is extraordinary even in very difficult times. Because we are in the high net worth and ultrahigh net worth space, we have distribution so this rule of thumb, 4% that you see more in the affluent, mass affluent is really not an issue for us. Yes, you have new assets that would be impacted. But even there, quite frankly, flows out of the traditional players, are probably going to be substantial and of course, we are partial beneficiary of that. And so we are not very worried on that front. We talked about the market the impact that 25% is non-correlated. Yes, it's balanced conservative positioning. And importantly, and we saw this post '08, once the dust settles, quite frankly there will be quite a number of very attractive merger opportunities that we are uniquely positioned to take advantage of and our partners will be uniquely positioned and we are demonstrating with the deal momentum, particularly also in the merger side that we are positioned to take advantage of this. So when you decompose it, yes, 9.7% is lower than 16.7%, which quite frankly was just an extraordinarily high number, but 9.7% is still excellent. And we are seeing one of the strongest pipelines and activity levels that we have seen in a long time. So we feel very good about where we are.

Michael Roger Carrier - *BofA Merrill Lynch, Research Division - Director*

Okay. And Jim, maybe just one for you. I just wanted to get an update on how you're thinking about the leverage in the model, just given like, the deal outlook. Some of the market volatility. And then maybe an update on how you guys calculate it and the pro forma with the Loring Ward deal?

James Shanahan - *Focus Financial Partners Inc. - CFO*

Right. So we filed the Q this morning as well and you'll see the leverage was 3.19x at September. We previously gave guidance that we'd be about 3.5x levered and after closing on the Loring Ward transaction in this quarter. So we're still staying with that guidance as an estimate of 3.5x. There was no revolver borrowings outstanding at 9/30. And we'll use a cash and revolver to fund the Loring Ward transaction. And then from a longer-term perspective, with the deal pipeline, we're staying with our long term guidance of 3x to 4x aggregate leverage.

Ruediger Adolf - *Focus Financial Partners Inc. - Founder, CEO & Chairman*

And Mike, if you appreciate, this also gives us enormous firepower if you think about the opportunities that we are working on. So with the strength of this balance sheet and the flexibility, we can really continue to grow the business tremendously.

James Shanahan - *Focus Financial Partners Inc. - CFO*

And yes, the revolver is $650 million and based on the current leverage level, it's at LIBOR plus 150. So it's an attractive currency to deal with the pipeline that Rudy mentioned.

Operator

Our next question comes from the line of Kyle Voigt of KBW.

Kyle Kenneth Voigt - *Keefe, Bruyette, & Woods, Inc., Research Division - Associate*

Rudy, sorry, can I just follow up on that, that onetime event that you mentioned earlier? I think you said a partner firm split or there were some assets that left. Could you just give some more background. Like what firm is that and what exactly happened there?

Ruediger Adolf - *Focus Financial Partners Inc. - Founder, CEO & Chairman*

Yes, it was a smaller partner firm and it had an institutional business in a high net worth business and the high net worth business was an excellent fit with what we are doing, which is now Trinity Point. And yes, it's a very good part of what we're doing. But the institutional part was kind of less of a fit and 2 of the partners ultimately decided to -- and we supported it -- to separate and create their own business outside of the Focus umbrella. Overall, a very small impact, but the Trinity Point is the firm that you see on our website.

Kyle Kenneth Voigt - *Keefe, Bruyette, & Woods, Inc., Research Division - Associate*

Okay. I guess, just another one on maybe some of the non-GAAP adjustments for Jim. I think there was a $6 million of cash comp related to the IPO. Were those legal fees or headcount that needed to be added? Just some clarity there. And then there's another $1.5 million or so of onetime expenses that are excluded. I think they were related to Loring Ward or I think some of them were. I guess, what was different or onetime about those Loring Ward expenses? Could you just give some more clarity around that $7.5 million aggregate of onetime adjustments?

James Shanahan - *Focus Financial Partners Inc. - CFO*

Right. Thanks, Kyle. As we have disclosed in the prospectus, we had certain non-accredited shareholders and certain shareholders had to move units from the downstairs LLC up to the public company. So we had within non-accredited, we had a 25% premium on the shares and then there were some other adjustments for 65% for other shareholders that employees and non-employees that moved. So that aggregated to $5.9 million and that was purely a onetime cash expense that was recorded in connection with the IPO. None of those proceeds went to executive management here, it's really just in connection with the reorganization in the IPO. So those aren't recurring items on a go forward basis. So that's why we called it out. Regarding the other $1 million or so of onetime charges, Loring Ward, we thought was just a little bit of a unique transaction based on the size, the regulatory approvals and so forth. So that was about $648,000 through the third quarter. We'll have some charges in Q4 as well. Those are the primary components of the onetime in this quarter.

Kyle Kenneth Voigt - *Keefe, Bruyette, & Woods, Inc., Research Division - Associate*

I guess, any sense of what kind of -- can you quantify the size, I guess, of the one-timers that you're expecting we'll get...

James Shanahan - *Focus Financial Partners Inc. - CFO*

We're still working through it, but as an estimate, we're probably somewhat within range of the Q3, maybe slightly higher.

Kyle Kenneth Voigt - *Keefe, Bruyette, & Woods, Inc., Research Division - Associate*

Okay. And then last one, just on the share count. The 3.8 million incentive units, they were granted at the IPO at that 33 hurdle rate. Where those fully included, I guess, in the 3Q 8.9 million common unit equivalent when you're kind of -- when you're running through the share count calculation? Or are those going to be -- fully come in when we get into the fourth quarter -- the full fourth quarter?

James Shanahan - *Focus Financial Partners Inc. - CFO*

Yes. So when you have an opportunity to pull down the 10-Q that was filed this morning, if you go into Footnote 9, it shows the distribution of all the incentive units downstairs and all the hurdles, which is the 3.8 million number that you're referencing. And yes, that was included in the adjusted net income per share calculation.

Operator

And our next question comes from the line of Chris Shutler of William Blair.

Christopher Charles Shutler - *William Blair & Company L.L.C., Research Division - Research Analyst*

I know you said earlier that in Q3, approximately 25% of revenue was nonmarket correlated, I think. In the prospectus, you had said 17%. So is the difference just rounding? Or has there been a change in the business?

Ruediger Adolf - *Focus Financial Partners Inc. - Founder, CEO & Chairman*

No. It's basically the full impact of the revenue mix in this quarter. This is not going to be a constant number. It of course, depends on the dynamics within our partner firms and very importantly, new partner firms joining us. So for example, NKSFB's joining was a very important number and therefore, it's clearly these acquisitions that has such an impact. We think 25% is a very healthy ratio. It's kind of where we want to be, but we are very open for the right type of opportunities to ultimately further increase this number if the right opportunities present themselves.

Christopher Charles Shutler - *William Blair & Company L.L.C., Research Division - Research Analyst*

Okay. And then on the -- one more in the market sensitivity, just the -- if we look at the portion of your revenue that is market sensitive, so the 75% or so in the quarter, can you remind us how that -- how much of that typically gets billed on kind of a prior quarter ending asset balance? How much is impacted by markets intra-quarter? Just -- I ask because Q3 was a strong quarter for markets. Obviously, Q4 has been the opposite. So just trying to understand to what extent, if any, your revenue in the quarter benefited from that market action?

Ruediger Adolf - *Focus Financial Partners Inc. - Founder, CEO & Chairman*

Yes. The billing methodologies are really very different across all the firms. And then, of course, as I said before, it's not all equities. It's a touch over 50% equities and the balance, it's non-correlated fixed income. So it's very different billing methodologies. And as such I can't really give you more guidance on that.

Christopher Charles Shutler - *William Blair & Company L.L.C., Research Division - Research Analyst*

Okay. And then, I guess, lastly, Rudy, in the press release, you talked about working to improve and expand the value- added services that you provide to the partner firms. I know you made that smart asset investment earlier this year, but maybe just expand on that comment a little bit more?

Ruediger Adolf - *Focus Financial Partners Inc. - Founder, CEO & Chairman*

Yes, yes. Absolutely, Chris. Clearly, our model is all about value-added. And what it basically means is partner firms join us, of course, on the one hand because we, obviously, are very competitive in the marketplace. But at the same time, they join us because they want to have access to our value-added services and you may remember, Chris, the revenue growth as we illustrated in the -- during the -- in the S-1, you have 5.7% when they join us, 9.5% after 5 years, is obviously a pretty impressive increase. Value-added services, the way we think about what we do is yes, we firmly believe, we are an excellent partner with fiduciary entrepreneur growth-oriented wealth management firm where we can add value to a partner firm in every step of their business system, from operations technology, all the way to marketing and client experience. One of kind of -- it's a good problem to have, but one new program we just rolled out, which is very much a reflection of the growth and quite frankly, the hyper-growth, some of our partner firms are experiencing is -- we just launched this program -- this training program with Harvard that's proprietary to us, where we are going to have -- it's about 40 partners, who will be coming up spending almost a week together to basically really deal with how do you manage an organization in hyper-growth. And yes, I think this will be very powerful to sustain the growth across our partner firms. But you need to keep in mind, in the first 9 months of this year, we grew our revenues 40.2%. I don't think there are many businesses out there that have this level of performance. And so it's really, really important that we continue to be at the forefront of adding value to our partners.

Operator

Our next question is from the line of Alex Blostein of Goldman Sachs.

Alexander Blostein - *Goldman Sachs Group Inc., Research Division - Lead Capital Markets Analyst*

A couple of follow-ups. So first, I guess, on Loring Ward. So given it's quite a sizable transaction, can you help us understand, once it's fully in the run rate, which I guess, would be first quarter of '19, what should be the impact from this transaction on your revenues and EBITDA? And then I was hoping you could flesh out a little more on what's sort of synergies you expect, both on the cause and the revenue side, again, given the fact that it's quite unique versus what you've done in the past.

Ruediger Adolf - *Focus Financial Partners Inc. - Founder, CEO & Chairman*

Yes. So you're correct, Loring Ward is a very substantial and you will see the impact in the first quarter. We don't disclose the specific numbers, but what's so exciting about this deal is yes, it is a merger. It is a merger for our largest -- or have been largest partner firm, Buckingham, but it is highly synergistic. And it's highly synergistic in a traditional sense because, of course, there are overhead savings, there are marketing and sales advantages, operations technology, but most important, and we have demonstrated this with Buckingham, that the investment pieces when we did the Buckingham deal in '07 was ultimately that there is the ability to, over time, migrate TAMP assets over to the RIA. And the Buckingham team under Adam Birenbaum's leadership has virtually flawlessly executed on this strategy. This was a unique capability that Buckingham had that Loring Ward did not have. Loring Ward did not have in RIA in the TAMP. And so the investment thesis behind this transaction and where we ultimately see significant value-added beyond the just initial single-digit accretion that we mentioned, is we'll be able to migrate the TAMP assets from Loring Ward step-by-step, gradually, over time, into the RIA with similar highly attractive economics as what we have experienced with Buckingham. Ultimately, this whole deal was about offering the advisor life cycle solution that Buckingham has to Loring Ward. And of course, also very much Buckingham benefiting from the strength that Loring Ward has. It's always an outstanding TAMP with excellent technology, a strong value proposition. So we believe, as we said, single-digit accretion at both closing, and then you have substantial meaningful synergies subsequently.

Alexander Blostein - *Goldman Sachs Group Inc., Research Division - Lead Capital Markets Analyst*

And just one clarification. When you guys talk about accretion, is that on Focus' current EPS run rate as of kind of current quarter, is it in full year '18, is it '19, by single-digit accretion, what's the base are you guys using?

Ruediger Adolf - *Focus Financial Partners Inc. - Founder, CEO & Chairman*

It's basically the run rate. Accretion to the run rate of Focus.

Alexander Blostein - *Goldman Sachs Group Inc., Research Division - Lead Capital Markets Analyst*

So current earnings?

Ruediger Adolf - *Focus Financial Partners Inc. - Founder, CEO & Chairman*

Correct.

Alexander Blostein - *Goldman Sachs Group Inc., Research Division - Lead Capital Markets Analyst*

Got it. Okay, one more, last one, promise. So acquired base earnings, $11.2 million in the quarter. Can you guys help us understand how much of that is in the run rate already in 3Q, just kind of helping us bridge as we're thinking about 4Q as some of this $11.2 million comes in?

Ruediger Adolf - *Focus Financial Partners Inc. - Founder, CEO & Chairman*

So $11.2 million acquired is -- we certainly believe, again is a strong number and it reflects our ability to attract excellent new partner firms, Asset Advisors, Edge and Vista to the group. We don't break out the exact number of what's within the quarter and what's on the run rate. But $11.2 million is what we acquired, what the preference is on. And again, I think it's a reflection of the strength of our business model. As I said and that's important to note, Alex, as I said in my remarks, the Q4, usually, our prospects referred to close deals in the next tax year. So that would be in January in Q1 next year. That's, of course, very normal in M&A. But otherwise, we have an excellent pipeline, quite frankly the level of activities, the strongest that I have -- that I can remember and I think there's a lot of very, very positive momentum, but ultimately, the IPO itself helped us generate going forward.

Operator

And at this time, this does conclude the question-and-answer session. I'd like to turn the conference back over to Mr. Rudy Adolf for the closing remarks.

Ruediger Adolf - *Focus Financial Partners Inc. - Founder, CEO & Chairman*

Well, thank you all for joining. As I said, it's -- we believe that we had a very good quarter and certainly are demonstrating industry-leading numbers here. And we are looking forward to talking to you, again, at our year-end call, and thank you for all the questions.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program, and you may now disconnect. Everyone, have a great day.

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