# Private equity takeover of Kingswood highlights risks in adviser consolidation



With the recent announcement that HSQ Investments, Kingswood's private equity backer, has agreed to take control of the company, the spotlight has turned once again to the fraught landscape of adviser consolidators, particularly those reliant on private equity funding. This takeover underscores heightened concerns regarding the sustainability of aggressive acquisition strategies in the wealth management sector.

Since HSQ first backed Kingswood in 2019 with an investment of up to £80 million aimed at establishing it as a leading UK advice-led wealth consolidator, the firm has undertaken substantial growth, managing to make 19 acquisitions and considerably increase its assets from £2.5 billion to £12.9 billion by mid-2024. Concurrently, Kingswood's revenues surged from £10.1 million to £86.2 million as it positioned itself for a robust future. However, this strategy came at a steep price, with Kingswood accruing a staggering £91.6 million in debt, leading HSQ to extend an additional £25.8 million in loans to cover rising operational costs.

Giles Dunning, a partner at Stephens Scown, emphasises the complexities of managing fast-paced acquisitions, warning of the dangers inherent in high leverage and the necessity of careful integration. “PE-backed acquirers tend to be highly leveraged and thinly capitalised on the balance sheet,” he stated. The risk extends beyond mere financials; Dunning highlighted that integration challenges often go underestimated, urging firms to prepare adequately to handle the resource-intensive nature of mergers and acquisitions.

HSQ's plan post-takeover includes merging Kingswood's UK and Ireland operations with another firm within its portfolio, signalling a strategic reflection on the scalability of such ambitious consolidation efforts. The trend of private equity firms entering the financial advisory market gained significant momentum after the 2012 Retail Distribution Review, but as the regulatory environment has tightened—most notably with the Financial Conduct Authority's increased scrutiny under its consumer duty initiative—the landscape has become more complex. Not only are compliance costs rising, but the expectations around governance must now translate into demonstrable value for clients. “A robust governance and compliance track record has shifted from being a tick-box exercise to becoming a genuine driver of value,” according to Callum Pirie, a senior vice-president at Houlihan Lokey.

As interest rates rise, the methods of financing deals are adapting as well. Jonathan Greenstein of Lagom Consulting has observed a growing trend towards secondary buyouts and recapitalisation as the IPO market remains subdued. Similarly, Emma Napier from NextWealth remarks on the evolving nature of private equity involvement, pointing out that firms are increasingly aware of the pitfalls associated with rapid growth and are adopting a more measured, intensive due diligence process.

The ongoing review by the FCA into adviser market consolidation reflects a broader apprehension regarding the potential decline in advice quality amid rapid growth. Greenstein articulated concerns over weak oversight and potential conflicts of interest, noting a push from private equity firms to enhance compliance teams and governance structures. Yet, many smaller consolidators face challenges keeping pace with these heightened expectations, risking their ability to serve clients effectively.

Dunning explains that contemporary M&A strategies are now built around client outcomes, stressing that “commercial incentives are still key but they have to be secondary to the interests of the client.” To address the demands for compliance and oversight, many firms are looking at hybrid integration approaches, balancing the need for centralised operations while retaining local branding and adviser autonomy—a necessary compromise to maintain trust and continuity with clients.

Despite the apparent surge of interest from private equity firms in the financial sector, the sustainability of this model remains uncertain, especially as regulatory pressures mount and compliance costs escalate. Louise Jeffreys, managing director of Gunner & Co, warns that deals made before the recent surge in interest rates are now considered expensive, reflecting a broader trend of rising valuations and heightened scrutiny around the financial viability of acquisitions.

As Kingswood's situation exemplifies, the path forward for private equity-backed consolidators involves recognising the importance of integrating compliance, managing debt effectively, and ultimately acting in the best interest of clients. The industry's evolution into a landscape where quality must be prioritised over mere scale will determine the success of such investments in the long run. The operational hurdles of managing a growing portfolio coupled with regulatory expectations pose significant challenges that could reshape the very fabric of the financial advisory profession in the UK.

### Reference Map

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## Bibliography

1. <https://www.ftadviser.com/mergers-acquisitions/2025/5/19/what-kingswoods-debt-deal-says-about-future-of-pe-and-advice-/> - Please view link - unable to able to access data
2. <https://www.ftadviser.com/mergers-acquisitions/2025/5/19/what-kingswoods-debt-deal-says-about-future-of-pe-and-advice-/> - This article discusses Kingswood Holdings Limited's financial challenges, highlighting its debt accumulation due to an aggressive acquisition strategy. It details how HSQ Investments, which initially invested £80 million in 2019, has provided additional loans totaling £25.8 million to support Kingswood. The piece also explores the broader implications for private equity-backed financial advisory firms, emphasizing the risks associated with rapid expansion and the importance of sustainable growth strategies.
3. <https://www.investegate.co.uk/index.php/announcement/rns/kingswood-holdings-limited--kwg/unconditional-cash-offer-by-hsq-investment-limited/8783412> - This announcement details HSQ Investments Limited's unconditional cash offer to acquire the remaining shares of Kingswood Holdings Limited. It outlines the financial support provided by HSQ since 2019, including £80 million in growth equity capital and subsequent loans totaling £25.8 million. The document also discusses Kingswood's growth in assets under advice and management, highlighting the challenges faced due to increased debt levels and the strategic considerations for the company's future.
4. <https://www.wealthbriefing.com/html/article.php/debt_dash_laden-kingswood-mulls-go_dash_private-move> - This article examines Kingswood Holdings Limited's consideration of a go-private transaction due to mounting debt from its acquisition strategy. It details HSQ Investments' proposal to acquire the remaining shares at a discounted price, reflecting the company's financial difficulties. The piece also discusses the broader implications for private equity-backed financial advisory firms, emphasizing the risks associated with rapid expansion and the importance of sustainable growth strategies.
5. <https://www.sharecast.com/news/news-and-announcements/kingswood-drops-after-discounted-take-private-proposal-from-majority-shareholder--19136968.html> - This news report covers Kingswood Holdings Limited's response to a discounted takeover proposal from its majority shareholder, HSQ Investments. It highlights the company's financial struggles, including a significant increase in debt due to its acquisition strategy. The article also discusses the potential impact of the proposed deal on Kingswood's share price and the broader implications for private equity-backed financial advisory firms.
6. <https://www.proactiveinvestors.co.uk/companies/news/1067772/kingswood-holdings-shares-fall-8-5-after-bid-approach-from-largest-investor-1067772.html> - This article reports on Kingswood Holdings Limited's shares falling 8.5% following a bid approach from its largest investor, HSQ Investments. It details the financial challenges faced by Kingswood, including rising debt levels due to its acquisition strategy. The piece also discusses the potential impact of the proposed takeover on the company's future and the broader implications for private equity-backed financial advisory firms.
7. <https://www.ftadviser.com/kingswood-group/2025/3/18/kingswoods-pe-backer-looks-to-merge-the-business-as-it-makes-offer/> - This article discusses HSQ Investments' proposal to merge Kingswood's UK and Ireland operations with another wealth management company in its portfolio. It outlines the financial support provided by HSQ since 2019 and the challenges faced by Kingswood due to increased debt levels from its acquisition strategy. The piece also explores the strategic considerations for both Kingswood and HSQ in pursuing this merger.