



ADVISOR GROWTH STRATEGIES

THE RIA DEAL ROOM

Navigating the High Tide

2025

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2024 M&A REVIEW: DEMAND UNLOCKED

The market for RIA M&A continued its bull run in 2024. According to Fidelity Investments, 2024 was a record-breaking year for deal volume, with 239 transactions, paired with a record-setting median valuation of 11x. The stock markets rebounded nicely in late 2023 and throughout 2024, and a new

administration came with optimistic deal-making expectations. Put it all together and 2024 signaled a new, more aggressive era of RIA deal-making. 2024 felt like high tide for M&A, and the stage is set for what looks to be a busy 2025.

RIA M&A TRANSACTIONS

233

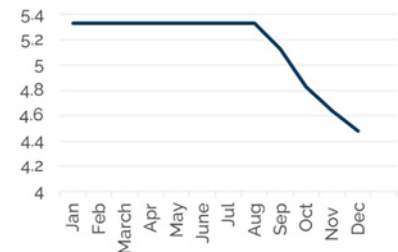
RIA + IBD M&A TRANSACTIONS

239**\$670B****\$909.7B**

Purchased assets in RIA and broker dealer M&A Transactions

Median
Deal Size**\$536M**Median
Valuation Multiple
(EBITDAx)**11X**60/40 Portfolio
Return**15%****5.14%**

2024 Fed Funds Effective Rate



Hidden in the headlines of more activity is a lesson of caution. As famed investor Warren Buffet once said, "Only when the tide rolls out do you discover who has been swimming naked." The RIA industry is operating with unprecedented success, creating fantastic outcomes for many participants. There is no question that times are good, but are participants well-positioned for when conditions pull back? Sellers must consider their best long-term fit, proceed with conviction, and truly understand whether their chosen partner is poised to succeed. Aspiring buyers must consider what motivates them to acquire and define how

they compete in an expensive market with seasoned competitors.

Now, more than ever, preparation will be rewarded. The market will recognize buyers and sellers that focus on business-building activities such as talent investment and engagement, execution acumen, and a portable client experience. 2025 looks to be a busy year for the industry and managing the impacts of the high tide will be critical for all involved. Contact the Advisor Growth Strategies (AGS) team at info@advisorgrowthllc.com to learn more about navigating the rising tide of RIA M&A.



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WHAT IS INCLUDED IN THIS YEAR'S REPORT

Case Study Insights

Unique 2024 insights from active buyers in the industry (throughout the report)

Transaction Structure Analysis

One-of-a-kind analysis based on 37 transactions closed in 2024 (throughout the report)

Survey Data

Insights from the Advisor Growth Strategies 2025 RIA Survey (n=68); 49% of respondents have >\$1B in AUM, and the avg. firm is \$2B AUM (throughout the report)

2025: WINNING WITH NUANCE

AGS continued its buyer case study analysis for the second year to deliver real-time insights. Deal-makers of all sizes and activity levels were asked to complete a case study exercise. The responses estimated the transaction appetite, preferences, and market efficiency heading into 2025. AGS supplied case studies showcasing six acquisition targets and asked for feedback and sample deal frameworks for each. The results document the industry's current M&A preferences and illustrate a more nuanced M&A market.

Aggressive on Multiple Fronts

2025 could be the year that acquirers are in it to win it. Buyers maintain clear buying preferences, with a strong tilt towards firms with recurring revenues and a mixed preference for large firms (>\$1B AUM). On average, surveyed buyers bid on more opportunities than a year ago, and more case studies included a 100% bid rate. This was most evident in the sub-\$1B AUM case studies, where firms with mostly recurring revenue received a bid 100% of the time, and the average valuation increased by 15%.

Last year, the buyer case study exercise showed more selectivity among opportunities. Buyers were cautious about approaching potential mergers that did not meet their criteria. In 2025, buyers appear more aggressive and willing to compete on multiple fronts. Nearly 80% elected to submit a bid on all six scenarios presented. The number of buyers interested in transactions greater than \$1B in AUM increased substantially,

indicating that buyers are more willing to compete across segments and up-market when necessary.

Size Matters

Buyer sentiment highlighted that bigger is better. Valuations peaked with the largest firms, and while all firms performed well, the largest received premium bids that exceeded last year's case studies. The upward trend in valuation from smallest to largest reinforces a long-standing theme in the RIA industry – scarcity. Unlocked demand and scarcity indicate a much more aggressive pack of buyers heading into 2025, spelling premium bids for a narrower set of opportunities. For context, bids on the largest opportunity (\$2B AUM) increased by more than 18% from a year ago.

Size is significantly correlated to premium bids, and a notable lesson was the widening gap between opportunities with recurring revenues and hybrid RIAs. The mix of recurring versus non-recurring revenues and non-traditional investment management practices highlighted tradeoffs in the mentality that "bigger is always better." Buyers reacted less favorably to hybrid opportunities, and the average valuation was 20% less for a \$500M hybrid RIA than one with >95% recurring fees.

Structure is Here to Stay

Buyers took an aggressive approach in our case studies overall. 80% of case study respondents chose to submit a bid on the opportunities presented. The average buyer is willing to pursue various opportunities in today's market but might not approach them equally. Buyers clearly preferred opportunities that emphasized recurring

revenues, and a transferable client experience. While more buyers chose to bid on these opportunities, the valuation was best for firms with ideal attributes such as recurring revenue and a multi-generational team. Every scenario presented saw an increase in valuation except those with non-ideal attributes such as higher commission revenues or key person issues. This emphasizes that sellers should expect structure, but also ensure they are well-positioned. The risk in 2025 is leaving valuation "on the table" versus missing out completely.

Buyers did get more aggressive across certain aspects of valuation and deal structure. This reflects unlocked demand and is a barometer in a highly competitive environment. While buyers increased valuations across the board, they also focused heavily on growth and risk alignment. On average, nearly 20% of each bid was allocated to an earnout. The earnout component encapsulates risk- and growth-sharing and provides the most protected lever buyers can use to enhance "headline multiples." Buyers also signal a willingness to pay for growth through lucrative earnouts as a win-win.

BLACKROCK ON NAVIGATING THE ROAD AHEAD

2024 underscored the importance of M&A for sustained RIA business growth. This year's RIA Deal Room report delves into the current state and emerging trends of inorganic growth in the industry, including the increasing selectivity of buyers, the importance of pre-deal preparation, the requirement to consider long-term fit for both buyers and sellers as well as the need for differentiation through a unique "story and process." As noted, 96% of those surveyed are contacted at least twice a month about potential deals, which should prompt advisors to answer the question: how can you tell a differentiated story about your firm?

At BlackRock, we are committed to providing you with insights to make informed decisions and achieve your business goals. M&A can assist firms in building the team and service model needed to appeal to the growing population of wealthy investors, but it must be approached thoughtfully. The information included in this report can help you determine the approach to M&A that is right for your business. While not all advisors choose to be buyers or sellers, we encourage you to consider your options and develop your own perspective on inorganic growth.

We are pleased to partner with Advisor Growth Strategies for the seventh year to offer these insights to help you accelerate your business growth, better serve your clients and develop a strong team. For more information on how BlackRock can help, please visit [BlackRock's Advisor Center](#), or contact your BlackRock Market Leader.

Katie Cullen, CFP®

Head of BlackRock Business Consulting

BlackRock

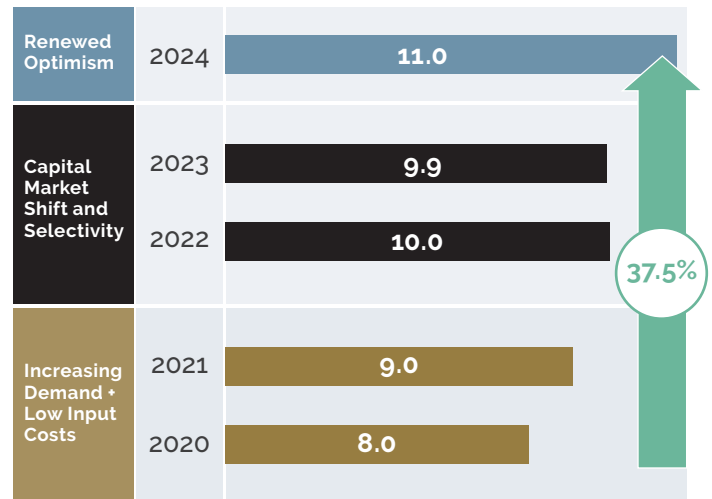
ENTERPRISES AND PRACTICES

The “getting” was good in RIA M&A during 2024. After a flatline in 2023, 2024 experienced a resurgence in M&A activity. The average 60/40 portfolio was up 15%ⁱ and monetary policy eased. A new administration ushered in optimistic deal-making expectations and partly facilitated a record Q4 deal volume. Underneath the surge of activity, market participants delved further into competitive segments. Enterprise RIAs continued to build depth and breadth through talent and geographic expansion, and sellers increasingly sought solutions to achieve excess growth, and solve resource and succession challenges.

This surge in activity led to attractive valuation outcomes for sellers. The median adjusted EBITDA multiple increased by 11% from 2023 to 2024 and set a new high dating back nearly a decade to 2015. While 2023 showed the market's resiliency, 2024 demonstrated a build-up of demand, and new battlegrounds emerged. From a valuation perspective, the RIAs with \$500M–\$1B of AUM took center stage and shone as bright as their >\$1B AUM counterparts. This primarily reflects dealmakers' observations that the average size of transactions (based on AUM) declined in 2024. The >\$1B segment has been highly competitive for years, and now the \$500M–\$1B segment also appears red hot.

Demand is driving all-time high valuations and has been unlocked by institutional capital that is taking advantage of a fragmented market and favorable market conditions. Media headlines will remind you that the biggest platforms attract premium multiples of 20x adjusted EBITDA or more. This has an interconnected relationship with downstream valuations. More capital is chasing RIA platform investments to create the next accretive and scaled platform. The trickle-down effect described in previous RIA Deal Room reports remains alive and well and is a big contributor to the ultra-competitive market we operate in now.

Median-Adjusted EBITDA Multiple



PRESSURE TO PERFORM

Valuation is only one side of the story. Deal structures continued to emphasize growth sharing and showed some consistency with the year prior. Buyers are now clearly faced with an interesting dilemma. What is the best way to continue paying premium multiples with some protection against performance? The answer is deal structure. The market appears to have reached a “steady state” around deal structures regarding closing and retention payments. However, earnout or “earn more” methodologies vary considerably.

The average transaction included 66% at closing, 10% retention, and 24% contingent consideration. The “earn more” of years past continued in 2024, emphasizing improved headline valuations while maintaining some protection. Closing consideration generally included the 25% equity allocation included in the average deal as well. The equity allocation was a slight downtick from prior years but consistent with norms. The largest move from the past several years is the amount tied to earnout payments. Buyer case studies and completed deal data show that under modest growth assumptions (approximately 10%), sellers should expect at least 20% of their deal price to be in the form of earnouts. The earnout trend of 2024 and buyer preferences heading into 2025 confirm that material upside will be dependent on growth.

The pressure to perform isn't reserved for those considering a change-of-control transaction. The emergence of industry specialists and generalist investors offers a new set of considerations for aspiring platforms. Investor transactions are growing in popularity, and more are seeking downstream opportunities or platforms primed for restructuring, such as producer groups and fee-for-service platforms. Minority or majority capital doesn't necessarily mean minority or majority control. Many minority transactions contain significant investor protections such as preferred returns, blocking rights, and the like. The industry will now have to consider whether they want to let someone inside the decision-making room by taking capital or changing course through a full change of control.

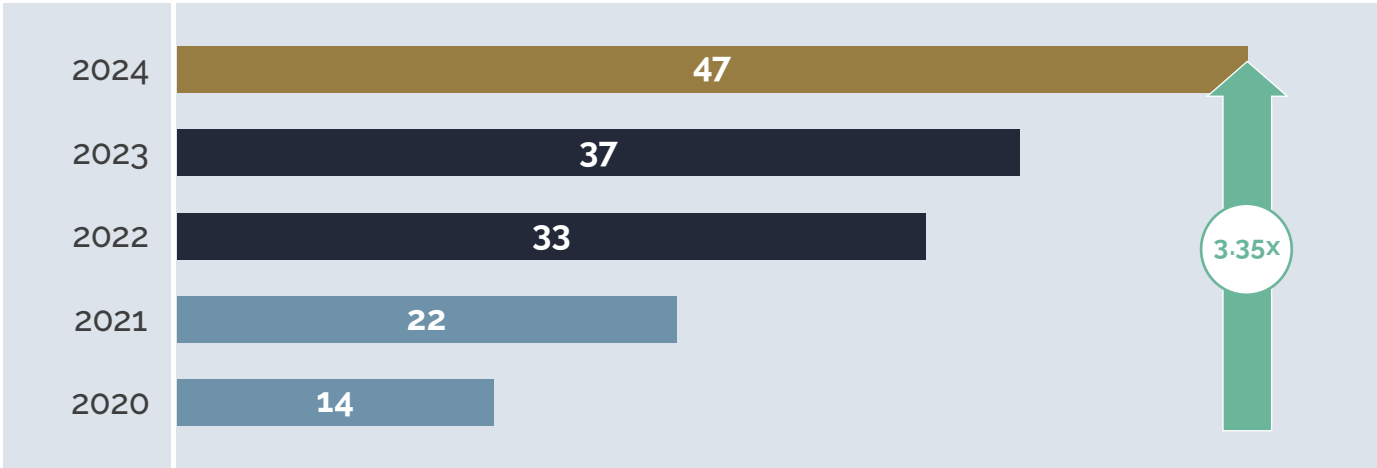
ALL ROADS LEAD TO INTEGRATION?

One of the RIA industry's more attractive attributes is the flexibility independent firms have in delivering advice to the end investor. Low barriers to entry, freedom from captive product sales, and a wide network of support providers have led to over 7,500 RIAs with \$100M

AUMⁱⁱ or more. End investors continue to choose independent advice, creating a fragmented industry with unlimited upside. Overall, the industry's attractiveness has led to significant interest from outside investors seeking to unlock value through growth, scale, and innovation.

A trend observed over the past several years is the emphasis on value creation through integration. This trend is evidenced by the 47 firms that completed multiple acquisitions in 2024ⁱⁱⁱ. Over 40 of those firms are "single brand" integrators which spotlights the dominant thinking around value creation. The major strategic shifts by large platforms also evidence the integration trend. Focus Financial Partners, Corient, and a host of significant platform providers further shifted course in 2024. Focus Financial affiliates were two of the top fifteen most active acquirers in 2024, a signal that Focus Financial is now angling to a more fully integrated brand portfolio. Corient announced a "take private" deal with its parent company, CI Financial, and has successfully integrated several dozen RIAs through its U.S. subsidiary. Package deals are where value is unlocked, and institutional capital is looking to carve out big RIA brands.

Acquirers with > 1 Reported Transaction



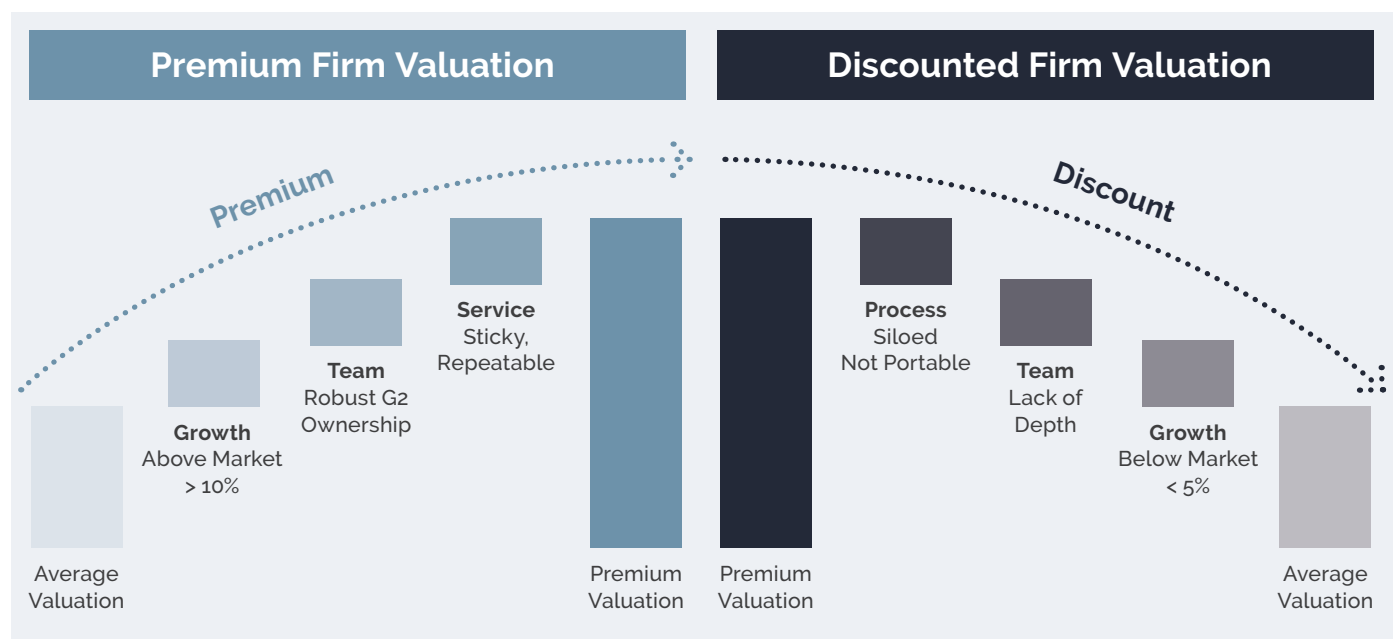
Does this lesson mean all firms should sell to an integrated platform? No. Where these platforms attempt to exploit value teaches us what tradeoffs will exist for buyers and sellers alike. Potential sellers should consider what outsiders they are comfortable allowing “under the tent” if they pursue an investor transaction. This includes minority/majority investors, where minority economics may not equal minority participation in governance or control, and emphasize that an investor will surely seek exponential growth through the investment. Sellers pursuing a change of control transaction should consider all future stakeholders and the growth strategy of the platform under consideration.

AVOID SATURATION DISCOUNTS

A high tide creates tremendous opportunity but leaves more room for confusion and crowdedness. Professional buyers, business brokers, recruiters, and investment bankers have deployed sales tactics to drive M&A awareness. 96% of the RIA Survey respondents indicated being contacted at least twice monthly by someone seeking to discuss M&A, an increase from 2024 with only 68% of firms reporting the same level of outreach.

For buyers, a risk in the high tide is the perception of a weak foundation. With nearly 40 firms completing multiple acquisitions and dozens of firms seeking capital from investors, standing out is much more difficult. Buyers seem to be overcommunicating their execution abilities and moving away from access to capital as a differentiator. The buyer universe is becoming more segmented, and many must prioritize standing out in the sea of sameness. Aspiring buyers must emphasize true platform strength and the ability to integrate and execute.

Potential sellers must consider their “why” before approaching the market and seriously evaluate readiness in the form of business building. How can sellers demonstrate repeatable growth and success to potential partners? Like buyers, demonstrating execution acumen is critical for sellers. Firms need to articulate how they execute new client growth, engage and activate a talented team, and present the portability of the client experience (planning, investments, and process.) Potential sellers are likely to find a transaction, but building a premium is key. For example, firms with “non-ideal” attributes in the buyer case study analysis saw a 21% discount from their ideal peers.



PROCEED WITH CONVICTION

The RIA industry continues to evolve. M&A is an important topic that continues to dominate headlines, but many firms are focused on running a high-quality business today. The industry has evolved such that the business building decisions of today will dictate outcomes tomorrow. Previous RIA Deal Room reports referenced potential sellers limiting their optionality. In today's highly desirable M&A market, the more likely outcome is sacrificing a premium or near-term business disruption.

The current market prioritizes long-term commitment which, in turn, places internal succession planning as a top item for many firms. 55% of our RIA survey participants stated their ideal future is to operate independently. Firms that prefer to remain independent must focus on building deep competencies that are foundational to growth, next-generation equity,

execution acumen, and a very repeatable client experience. Not only will this serve to maximize internal outcomes in the near term, it will also drive premium qualities with external buyers if that becomes the future option of choice.

While the market remains favorable for RIA M&A, the high tide presents its own challenges. If this high tide remains the norm, it should not cloud the judgment of the majority of firms that prefer to remain independent. Instead, buyers, sellers, and RIAs should proceed with conviction by focusing on organic growth, incentivizing talent, and building repeatable processes. The bottom line is that not all firms must participate in M&A, but all firms should prepare for it regardless. What is being rewarded externally will also pay dividends for growing, independent firms. The high tide is a positive story for the RIA industry, but it is best to come prepared should the tide go out.

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ABOUT THE RESEARCH

AGS collected transaction data and surveyed industry participants from November 2024 to January 2025. AGS added data on 37 transactions completed in 2024 to the 264 transactions from the last six reports (covering transactions from 2015-2023) and increased the total number of tracked transactions to 301 (excluding any removed data points). Overall, 2024 data included over \$20B in seller AUM and over \$800M in total valuation. AGS surveyed a broader set of

RIAs to supplement transaction data in early 2025, asking questions about valuation, business management, and engaging in M&A. Although the survey was separate from collecting transaction data, it can be used to gauge broader industry trends that are impacting M&A. The following methodology was used to secure and evaluate the transaction data:

- In late 2024, AGS contacted RIAs nationwide to ask for actual transaction data and included existing internal data.

- AGS provided context and a data collection format. AGS secured the selling firm's AUM, revenue, EBITDA, consideration mix (cash, equity, other), post-transaction compensation and post-transaction success (both qualitative and growth).
- The number of transactions by seller revenue size:
 - 9 transactions under \$2M in revenue.
 - 18 transactions between \$2M and \$5M in revenue.
 - 10 transactions greater than \$5M in revenue.
- AGS also collected 66 responses to transaction case studies to gauge market sentiment in early 2025. Buyers were asked to evaluate six different transactions and provide feedback ranging from overall perspectives to potential transaction structures.
- **2025 RIA Survey (n=68):** AGS launched a 20-question survey in early 2025 to identify advisors' preferences on running, managing, and growing their firms. The survey results have been used to complement the research but are an independent dataset from collected transaction research.
 - **49% of survey respondents were greater than \$1B in AUM.**
 - 26% of survey respondents were between \$500M and \$1B in AUM.
 - 25% of survey respondents were between \$100M and \$500M in AUM.

GLOSSARY AND DEFINITIONS

- **AUM/AUA:** Assets under management or assets under advisement. The total assets managed by an RIA on behalf of end-clients.
- **RIA:** Independent registered investment advisor. For the purposes of this research, RIAs include fee-only and hybrid. RIAs. Hybrid RIAs maintain a relationship with a broker/dealer.
- **EBITDA:** Earnings before interest, taxes, depreciation, and amortization.
- **Adjusted EBITDA:** EBITDA after adjusting for one-time expenses, non-operating expenses, or synergies in a transaction. Adjusted EBITDA may also include known income or cost events that impact a target firm's economics.
- **Cash consideration:** Cash at closing (down), escrow payments or installments. Any current or deferred consideration solely related to the purchase of the business (e.g., excludes growth hurdles, earnouts or deferred performance incentives unrelated to transitioning the business).
- **Equity consideration:** Any form of ownership used in a transaction (voting or non-voting).
- **Contingent payments:** Ongoing revenue-sharing (earnouts), long-term variable notes or any form of consideration that is dependent on financial results beyond one year (12 months).

ⁱ <https://www.morningstar.com/portfolios/6040-portfolio-2025-what-expect>

ⁱⁱ Cerulli RIA Marketplace Report, 2024

ⁱⁱⁱ Fidelity Wealth Management M&A Report, 2024