ADVISOR GROWTH STRATEGIES

Custom business management solutions for the nation's top financial advisory firms

RIA M&A Activity Will Persist Post-Covid-19: Report

by Alex Padalka for Financial Advisor IQ

The coronavirus pandemic will certainly change the RIA M&A landscape, but recent growth in valuations and projections for how the industry will change suggest potential sellers will have more choice, according to a recent report.

Sixty-six percent of all RIA M&A deals in 2019 involved just 16 "acquisition brands," compared to 13 in 2018 and 11 in 2017, **Advisor Growth Strategies** found. Meanwhile, $1.6 trillion in assets under management — and more than $20 billion in total valuation — is projected to "go into motion" in the next five to 10 years, according to AGS' analysis of 2019 deals and a survey of RIAs conducted in early 2020 about valuation, business management and engaging in M&A. As more RIA owners look to exit, the industry will need more acquirers, AGS says.

But the jump in activity also means RIAs will need to decide whether reaching their goals requires building their own practice or partnering with other firms, according to the report.

"While keeping the status quo is a viable option, RIAs will grapple with 'protecting what they have' or investing in their firms for better market position," AGS writes.

Meanwhile, valuation multiples rose 30% in 2019, reaching 6.6, and are likely to remain stable, according to the report. The increase in valuations means potential sellers will have more options — but also more complexity, AGS writes. In the future, organic revenue growth, top talent and geographic position will be the long-term drivers of valuations, according to the report.

"The pandemic has slowed deals throughout 2020 and could change the industry's collective psychology moving forward," AGS says. "However, the need for succession planning and desire for continued growth will continue to spur M&A transactions once the pandemic ebbs."