



Complex Advisor M&A Market Presents Emerging Risks and Opportunities: Advisor Growth Strategy Study

PHOENIX--([BUSINESS WIRE](#))--Pandemic-era mergers and acquisitions in the registered independent advisor (RIA) space have splintered the market with growing pressures and more options than ever, according to [The 2021 Deal Room report. Advisor Growth Strategies](#), one of the industry's most trusted resources, explored the deal structure of 33 transactions in 2020, representing more than \$60 billion in managed assets and about \$1 billion in total valuation. With the support of their sponsor BlackRock, Advisor Growth Strategies updates the most in-depth, quantitative study publicly available of why and how RIA deals succeed.

"It is vital to understand how 2020 reshaped the value that RIAs create as businesses and for their clients," said [Martin Small](#), Head of BlackRock US Wealth Advisory. "The ongoing research of Advisor Growth Strategies is a great resource for any advisor hoping to educate themselves about the changing M&A climate."

The most impactful findings of the 2021 RIA Deal Room report include:

- **Size matters.** While median valuations increased 21% from 2019, larger acquisition platforms have gained the most. Their scale and credibility gave them a competitive edge in seeking a limited market of sellers.
- **Geography matters, too.** While it is much harder to enter the market as a buyer, 65% of potential sellers prefer a local or regional partner. The spoils will go to acquirers with a well-defined approach to inorganic growth or a platform that enhances front, middle, and back-office capabilities.
- **Serial acquirers are no longer a monolith.** Battle lines have been drawn between integrators growing a single, dominant brand, and investors who offer more autonomy and flexibility.
- **Cash is still king, and upside opportunities abound.** The average 2020 transaction showed an increase in cash. Sellers took less contingent risk and instead gained substantial upside opportunities. Initial valuations tended to improve 20% or more through "earn-more" provisions.
- **Education matters more than ever.** Seller-friendly deal structures and a dizzying array of options exert pressure on RIAs to become aware of the M&A landscape. Sellers need to know what they're getting into, and buyers need to understand what they are acquiring.

"It's clear 2020 was a breakthrough for RIA M&A valuations, diversity in structure, and new market entrants. As we look ahead to 2021 and beyond, we can expect the robustness of the market to continue," said [John Furey](#), managing partner at Advisor Growth Strategies. "Firm

owners should take the time to understand the market opportunities as the industry has transformed itself over the last few years.”

“2020 brought unprecedented challenges but also opened unique opportunities for those willing to capitalize,” said [Brandon Kawal](#), principal at Advisor Growth Strategies. “The industry is evolving rapidly, and firms that remain on offense will benefit more than the rest.”

Kawal added, “For this report, we went deep into one of the most intriguing years on record. The pandemic accentuated some trends such as succession but also introduced new catalysts like management fatigue that will impact RIA M&A for the foreseeable future.”

Receive your copy of The 2021 RIA Deal Room Report by [clicking here](#).

Advisor Growth Strategies will host [a virtual roundtable event](#) featuring industry experts to further explore recent trends in valuation and deal structures on **Wednesday, May 19th**. More information on The RIA Deal Room Report and archives of past reports can be found [here](#).

ABOUT ADVISOR GROWTH STRATEGIES

Advisor Growth Strategies (AGS), a management consulting and transaction advisory firm, provides financial advisory firms and institutions with the tools and expertise to grow, develop or exit a firm. AGS partners with the fastest-growing and largest firms across the country to support them in becoming better business owners. AGS has consulted with over 300 independent financial advisory firms, representing over \$400 billion in managed assets. AGS services include assisting advisors in transition, compensation and equity design, strategic planning, M&A and succession planning. For additional information, please visit www.advisorgrowthllc.com.

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