



## RIA valuations rose 21% in 2020, study finds

By Andrew Foerch for CityWire

**Advisor Growth Strategies finds that the average RIA sold for eight times adjusted Ebitda in 2020.**

RIA valuations rose 21 percent from 2019 to 2020, driven by sky-high buy-side demand, according to Advisor Growth Strategies' 2021 Deal Room study.

The annual study, published Monday morning and compiled by the Phoenix RIA consultancy, aims to analyze the M&A environment in the RIA space.

This year, the study's findings confirm what industry watchers have observed: consolidation activity boomed in the second half of 2020. According to the report, 130 transactions closed last year, a record total and an increase of 4% from 2019.

Also booming are multiples, which have risen by nearly 60% from 2018 to 2020, reaching a median adjusted Ebitda multiple of 8.0. In 2019, the median multiple was 6.6. The study points to tough competition from serial acquirers and institutional backers, as well as the low cost of debt capital, as drivers of this growth.

'The AGS team does not expect the median adjusted Ebitda multiple to grow at the same pace moving forward, but it is difficult to argue that it will retreat in a meaningful way until demand subsides,' the study says.

Advisor Growth Strategies argues the valuation boost is a good thing for the RIA industry, though not all players benefited equally.

'Large RIA platforms and investors go through sophisticated investment processes that result in robust valuations for sellers,' it says. 'The valuation premium these firms can deliver trickles down through the RIA space and reinforces that the best buyers are also most likely to command a premium in a sophisticated investment process as a seller.'

Overall, the study posits that the M&A surge will continue in 2021 and beyond as the pandemic's forced shift to remote work has made deals easier to complete by lowering barriers related to geography and communication.

In asking prominent dealmakers for their insight regarding M&A activity in 2020, Advisor Growth Strategies found that '100 percent of respondents indicated they plan to do more transactions in 2021 than in 2020.'

With increased interest from equity forms and other strategic buyers, the runway is plenty long.