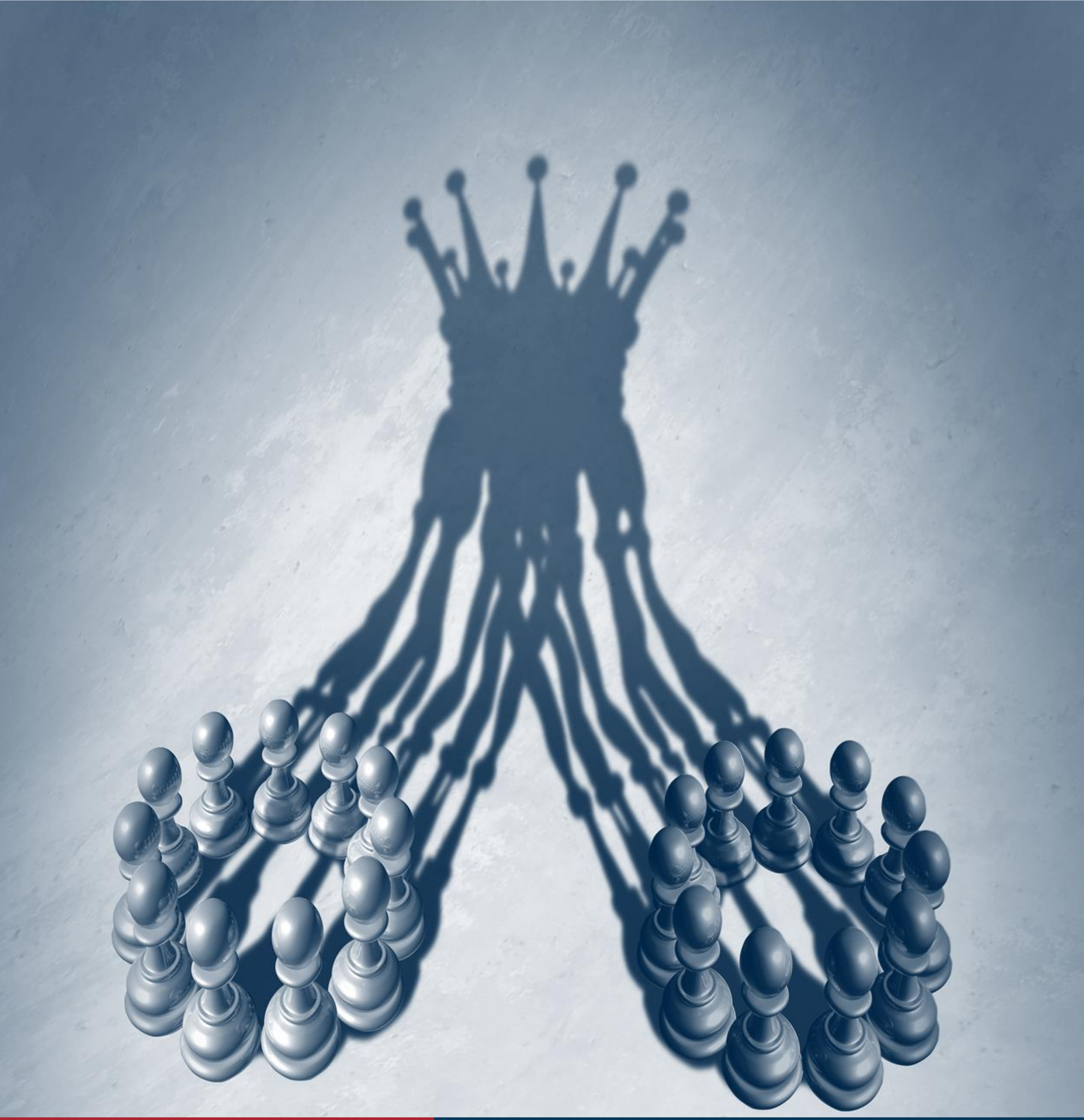

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# The RIA Deal Room

Limits Redefined

2022

## 2021 M&A Review: A Defining Year

2021 was a defining year for the RIA industry. While certain elements of the economy battled challenging circumstances, the wealth management industry enjoyed banner results. RIA M&A set new records in terms of volume and valuations, and the competitive landscape evolved. The difference between RIA platforms and practices became more acute as high-end RIAs such as Savant Wealth Management, Carson Group, Mariner Wealth Advisors and Beacon Pointe secured investments from top institutional investors and set the tone for a thriving M&A market. The tide rose for all RIAs and 2022 is showing continued momentum.

The RIA space saw continued demand for M&A transactions in 2021. Twenty-two Acquisition Brands completed multiple transactions,[i] and the median-adjusted EBITDA multiple increased for the fourth consecutive year. The data confirmed the accretive influence of private and public equity, as 69% of transactions were completed by platforms with at least one institutional backer. While these investments dominated the market, a more nuanced story developed as the largest acquirers raced for unprecedented size and reach.

Macro-trends fueling demand highlighted in past RIA Deal Room reports remained persistent in 2021. Low cost of debt capital, fierce competition for deals and expanded "check-writing ability" drove demand across the space. The macro-trends were complemented in 2021 by two specific drivers — talent acquisition and geographic expansion. Talent acquisition became more important as the largest platforms sought to build depth within markets during a phase of significant labor market tightening. AGS expects this trend to become stronger in 2022 as the largest platforms seek to deepen bench strength.

2021 proved lucrative for those considering a sale or merger. Valuations increased materially, while the median-adjusted EBITDA multiple set a record. The tailwinds driving supply remained strong as founders aged another year, management fatigue worsened and potential tax policy changes dominated the headlines. The rising tide did not benefit all sellers equally, as evidenced by "premium sellers" that commanded material valuation increases compared with their peer group. A seller's story and the business result are becoming more critical than ever. Buyers want to know a seller's track record and how they can add strategic value.

The 2021 RIA M&A landscape saw buyers face pressure to pick a clear identity in a crowded marketplace, while sellers were forced to demonstrate a compelling story or risk getting lost in the shuffle. RIA M&A is still in the early innings based on industry demographics, fragmentation and a steady supply of new firms created each year. 2021 might have tested the limits of what's possible and defined the rules of engagement for 2022 and beyond. Contact the AGS team at info@advisorgrowthllc.com to learn more about the new limits of RIA M&A.

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## WHAT IS INCLUDED IN THIS YEAR'S REPORT?

**2022 Insights:** Qualitative insights from dealmakers on what is ahead in 2022 *(pages 2-3)*.

**Core Message:** One-of-a-kind analysis based on 51 transactions closed in 2021 *(throughout the report)*.

**Survey Data:** Insights from the Advisor Growth Strategies 2022 RIA Survey (n=101); 53% of respondents have >$1B in AUM *(throughout the report)*.

## 2022: Testing the Limits of RIA M&A

In early 2022, Advisor Growth Strategies asked prominent dealmakers to provide insight into the current state of M&A. While 2020 was characterized as a year that saw acceleration in dealmaking, 2021 kept the momentum and was dominated by systematic acquirers. While a general theme emerged of "more deals ahead," the optimism was tempered by notes of discipline and process. The feedback from dealmakers is a powerful addition to the RIA Deal Room's unique data-driven approach to analyzing M&A.

### Expect another busy year

Acquisition Brands described the current M&A market as "hot" and a "sellers' market." Multiple industry sources estimate that 2021 established a record number of reported transactions in the RIA industry. The surveyed acquirers noted that pipelines are full, and many are actively evaluating dozens of opportunities. On average, estimated conversion rates (funnel-to-closed transaction) are approximately 34%, which is higher than 2020. AGS believes efficiency increased along with volume, and the market is validating Acquisition Brands' approaches.

Acquisition Brands expect to get their share of the increased activity. All participants anticipate completing the same or more transactions in 2022. The sentiment shifted slightly from 2021, when all participants planned to close more deals in the next 12 months than they had in the previous 12. This moderate change in temperament may indicate that buyers will pick their opportunities wisely in 2022 and limit flexibility in transaction structure versus prior years. Still, no evidence suggests that M&A will slow overall.

### Similar approaches

After a record year in 2021, the AGS team sought to understand if sophisticated buyers would adapt or change their approach in 2022. Most buyers indicated no plans to change or alter their transaction structure. This feedback is not surprising given the level of success in 2021 and indicates Acquisition Brands have found an identity that works in the market. Any notated changes to deal structure were minor and meant to adapt to the market's needs in real time. The most common feedback for the year ahead is a renewed focus on sub-acquisitions and deepening market penetration. More Acquisition Brands have acquired or developed vital geographic locations, and more are focused on building depth through talent acquisition and office expansion.

### Lots of excitement, and some worry

Buyers provided several reasons to be excited about M&A in 2022, including the expanding number of RIAs, as well as talent acquisition, service expansion and the opportunity to add scale. Most respondents cited favorable industry characteristics and the opportunity to access talent, but there was a distinct underweighting to adding AUM, revenue or cash flow as reasons to do deals.

A few concerning trends tempered buyer excitement. When asked what concerns them about the current M&A market, buyers alluded to the stability of some market participants in adverse market conditions, market disruption, capital market changes and lack of discipline, which could all impact the broader Acquisition Brand ecosystem. Transaction-specific problems were also highlighted, such as unrealistic valuation expectations and overengineered financials. Overall, buyers plan to achieve M&A success in 2022 but acknowledge the potential for increased turbulence in the market.

**Remaining systematic**

Dealmakers consistently cited success when real conversations developed with potential sellers. Most pointed to their structure and lack of fit when asked why opportunities fizzle. The comments received broadly acknowledged that lack of talent depth and operational or cultural fit led to failed transactions. Respondents also mentioned valuation and structural discipline as concerns and suggested sticking to their systematic playbook given ample pipelines.

Buyers candidly pointed toward a realistic approach and heavy scrutiny in dealmaking. AGS estimates that Acquisition Brands aggressively pursue less than 25% of transactions they evaluate. Dealmakers are three times more likely to pass on a deal they evaluate in today's market versus prior years and are comfortable with the relatively low conversion rates. The next iteration of M&A will be marked by the question, "What makes you different?" as supply increases meet systematic buyers' demand with evolved criteria.

## BlackRock on navigating the road ahead:

M&A activity in the RIA industry continues to break records with 2021 setting yet another industry record in both deal volume and asset transitions. With almost $3 trillion in AUM set to change hands over the next 10 years due to retirements, succession, and growth-related challenges, we want to help our clients evaluate their options and understand the implications. Importantly, deal activity is affecting even those firms who are not immediately in the M&A market – valuations affect internal equity for junior partners, technology continues to evolve to meet the growing number of ever-larger RIAs, and talent acquisition continues to pose a challenge.

At BlackRock we pride ourselves on the holistic support we provide our clients and believe this research is valuable for an Independent Advisor in running their business and planning for their next evolution of growth and success. Now more than ever, it is important to stay as close to the trends as possible to make informed decisions and navigate these dynamic times. For more information on how BlackRock can help, please visit BlackRock's Advisor Center, or contact your local BlackRock Partner.

**Liz Koehler**

Head of Blackrock's US Wealth Advisor Insights team

BlackRock.

# Evaluating the Limits of RIA M&A

| | 2021 Findings | Implications |
|---|---|---|
| **Changing Battle Lines** | Interest from institutional capital continued, the number of RIAs grew and 7% of RIAs controlled almost 70% of total AUM. The RIA space remained dynamic, and the meaning of "big" was redefined as scaled platforms eclipsed \$20B, \$30B and even \$50B in AUM. | The RIA industry is in a growth cycle and has space for multiple "winners." Industry concentration will continue and at least 10 RIAs will achieve \$100B in AUM within the next five years. Operating model diversity is increasing as participants seek to differentiate. The future of M&A is the "story" as buyers and sellers are forced to clarify where they fit. |
| **Scarcity and Arbitrage** | The median-adjusted EBITDA multiple grew 12% from 2020. The increase was a positive development, but valuation growth decelerated for the third year in a row. The top RIA platforms set the pace for all others and leveraged scarcity to increase valuations and create arbitrage opportunities. | The deceleration in the median-adjusted EBITDA multiple suggests the market may soon reach an equilibrium. Achieving a premium valuation in 2022 will require a compelling story and demonstrated track record. Acquisition Brands will have the opportunity to be more selective. |
| **Early Days of Risk and Reward** | Certainty ruled the M&A market as the average transaction included 77% cash. Acquisition Brands focused on creating purchase price confidence while leveraging "earn more" incentives and equity to share growth. | Acquisition Brands will leverage their track records to promote confidence and provide multiple ways to win. The opportunity to share in the upside post-acquisition will become more critical as M&A strategies increase focus on next-generation talent. |
| **Buyers Pick an Identity** | The buyer landscape evolved, and typical buyer profiles now include full and flexible integrators, platform-driven investors, and investors. These varying models are a direct response to increased buy-side competition. The top 22 Acquisition Brands, including varying but clearly communicated identities, accounted for almost 80% of reported transactions. | Acquisition Brands with a systematic approach will continue to win. Opportunistic and emerging buyers will have chances, but a high level of precision is required to win. Increased valuation levels lead to a high acquisition cost and leave little room for error. |
| **The Seller's "Story" Matters** | Deal volume reached a new record and suggested ample supply exists in the market. Sellers were forced to clarify their story and answer the question, "What makes you different?" Strong history matters, but buyers want to understand how a seller can help meet their future objectives. | A straightforward value-added story of organic growth, engaged talent, and unique capabilities or channel access will be required to achieve a premium valuation as more sellers approach the market. Demand will likely continue to outpace supply, but it will take more to stand out in a crowded seller market. |

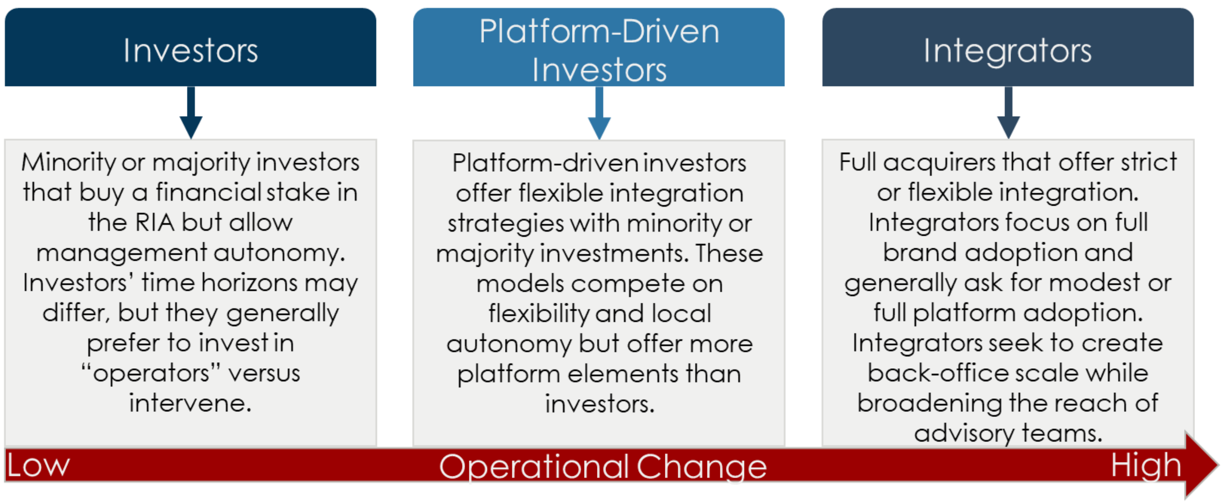
## Changing Battle Lines

Historic industry trends continued in 2021. Despite industry consolidation claims, the number of RIAs keeps increasing year after year. According to Cerulli and Associates, the RIA channel added more than 500 firms in 2020 (the most recent data available). The real trend is AUM concentration, despite the increase in the number of RIAs. Nearly 70% of AUM was controlled by just 7% of RIAs.[ii] Larger firms benefited in 2021. The headlines were buzzing as large RIA platforms such as Mariner Wealth Advisors, Savant Wealth Management, Carson Group and Beacon Pointe completed transactions with top-tier institutional investors and effectively recast the industry landscape for RIA valuation.

Influence from outside capital sources shaped the broader RIA market, as new capital partners entered the space and showed that even they must find creative ways to compete. Private equity and family offices looked beyond the biggest and most scaled platforms and evaluated middle-market opportunities with RIAs ranging from $1B-$10B in AUM. Outside capital will increase professional management and accelerate the appetite for M&A, assuming opportunities to deploy capital effectively. It is also probable that the industry will experience more significant variation in transaction models and strategies as more outside capital investment occurs.

As a result, common tailwinds furthered a healthy M&A environment in 2021. The growing number of RIAs, increased M&A demand, succession needs and favorable investment characteristics point toward a similar or better result in 2022. While the number of transactions increased, the top Acquisition Brands took their fair share as these firms completed 69% of all transactions and left little room for new market entrants. New competitive pressures developed for buyers and sellers alike. Buyers faced a saturated market that made it difficult to stand out. And for perhaps the first time, sellers entered a market with ample supply that offered no guarantees.

### Operating Model Diversity

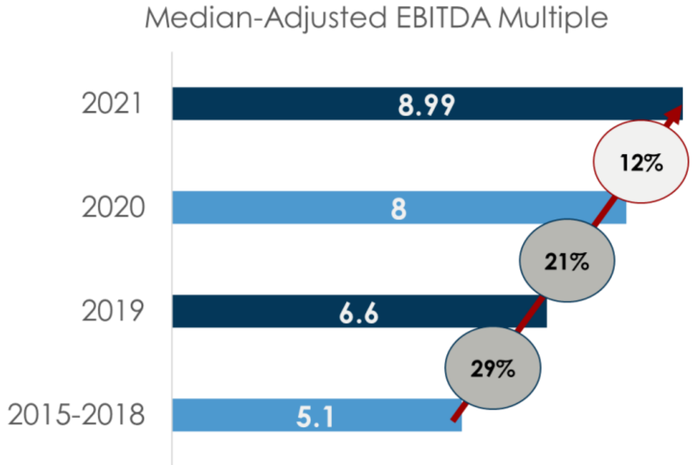



The RIA M&A market has evolved from a two-lane road to a more complex highway. The industry now has integrators and investors alike that offer minority, defined-path minority, small majority and full acquisition models. These options have created tremendous optionality for potential sellers and fundamentally changed the factors they must evaluate. The theme has shifted to large integrators and investors seeking unprecedented size and reach. The industry still has room for additional consolidation, as large platforms seek to increase geographic footprints and acquire talent to improve depth at all levels.

This evolution has redefined what it means to be "big." One positive impact of institutional investors is the race for critical mass through organic and inorganic growth. At the end of 2020, more than 20 RIAs and RIA platforms managed more than $20B in AUM, and several are now approaching or exceeding $50B in AUM. Organic growth, M&A and broader professionalization are here to stay, and these large platforms aim to compete on a different level. The next 10 years will evolve more than the past 10 and transform our understanding of the wealth management space.

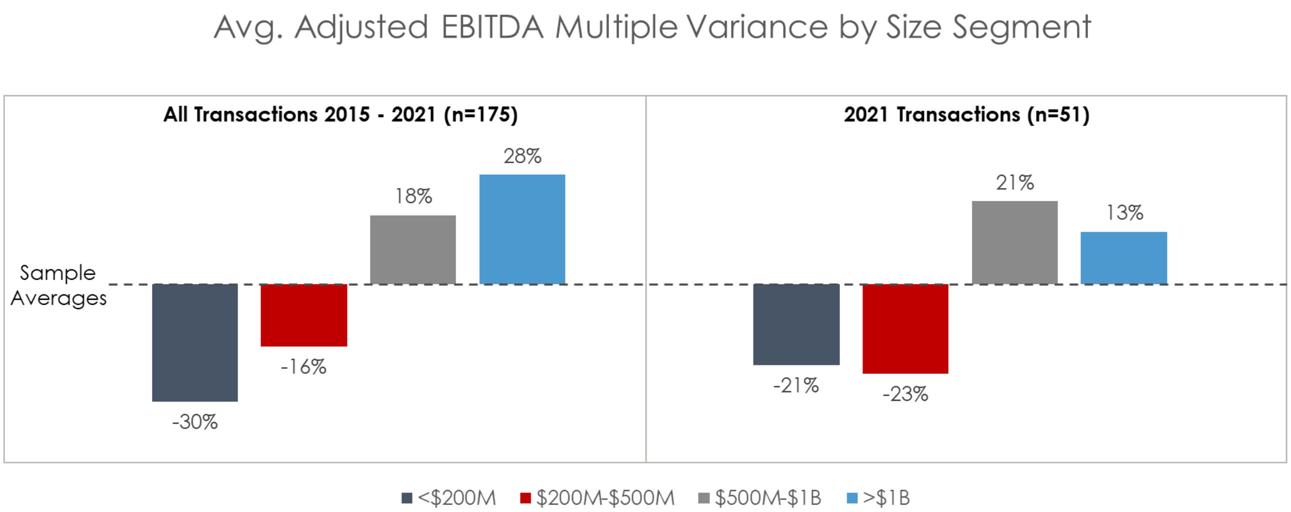
## Scarcity and Arbitrage

The median-adjusted EBITDA multiple increased 12% from 2020 to 2021. Valuations increased for a fourth straight year, but median growth decelerated. Softening growth in the median valuation suggests the market could flatten or reach a new equilibrium. The proactive question is, "How much room is there for continued increases?" In prior reports, the AGS team noted that the pace of growth might slow, and it could become increasingly difficult to achieve relative premiums moving forward.




Competitive shifts and the influx of outside capital into the RIA market led to another increase in demand in 2021. Asset concentration results from chasing size and reach, and the most prominent platforms continue to search for talent to increase depth. However, valuations undoubtedly reacted to two significant drivers — arbitrage and scarcity. The largest RIAs have the most favorable investment characteristics for professional investors and set the pace for the rest of the market. Their scale, supported by well-designed processes, provides a great degree of operating leverage. This has led to incredible valuation pressure for firms with the right size, management and professional team, and platform characteristics. The positive tension between scarcity and professionalization dictates outcomes for the rest of the market.

The last Deal Room report discussed the concept of trickle-down valuations. This concept is further understood by evaluating why scarcity of the biggest and best opportunities leads to better results for others. Scarcity is not simply related to size or brand. Instead, the valuations achieved by the most evolved RIA platforms create a



spread, and thus an arbitrage opportunity, against the rest of the market. This valuation spread is a barometer for valuation performance, and fuels demand to capitalize on long-term gain.

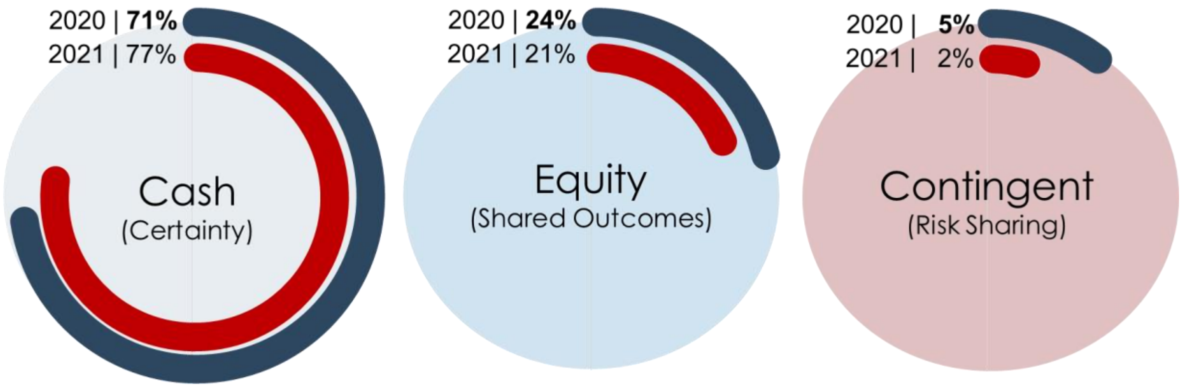
Consider this example: When a large RIA receives an investment from a private equity firm implying a mid-teens EBITDA multiple valuation, any firm it buys for less is immediately accretive to value. The PE-backed RIA also has flexibility because they can pay a higher multiple for an acquisition if it does not exceed their multiple. This spread has created an arbitrage opportunity that has caused a rebalancing of scales. A $500 million RIA may be worth one valuation to a PE-backed firm, but significantly less than that in a typical merger of equals. If large Acquisition Brands continue to dominate activity, this relationship will heavily influence outcomes for the broader market.

The record-setting volume of M&A transactions in 2021 implies that supply is incrementally increasing. The balance between supply and demand is critical to maintaining current valuation levels. Demand keeps rising, but the industry may experience less upward valuation pressure than in 2020 and 2021 because buyers have more opportunities than ever to deploy their capital. The outlook for valuations remains positive, although we may not see the same growth as in years past.

## Early Days of Risk and Reward

Transaction structures continued to favor cash in 2021. This marks the third consecutive year that the industry has selected certainty. The average deal structure included 77% cash, 21% equity and 2% contingent payments. At first glance, this consistent shift toward cash may make it seem as though only cash buyers dominate the industry and sellers favor certainty and potential upside. A closer look at the deal characteristics suggests two alternative solutions — great clarity between initial purchase and growth incentives, and greater diversification among Acquisition Brands.

The 21% equity component of the average transaction in 2021 represented a modest decrease from the prior year. Still, equity usage is within range and indicates Acquisition Brands are comfortable using expensive and dilutive capital to lure the best opportunities. Equity remains a costly currency in transactions but appeals to a critical stakeholder in today's transaction environment — next-generation talent. The equity storyline is reinforced by some platforms offering sufficient proof that accepting equity in a transaction can result in liquidity down the road. The largest platforms, commanding the highest valuations, now have a track record of offering equity in a transaction and achieving a second round of liquidity. This is a powerful differentiator that redefines equity's opportunity cost.




The emergence of "earn more" incentives proved durable in 2021. Sophisticated buyers created clarity by separating the base purchase price from growth-sharing. This was evidenced by the decline in contingent or at-risk payments codified in base transaction structures. Many of the transactions submitted in 2021 contained clear emphasis on long-term growth sharing awards in addition to compensation. AGS believes this creates a positive message for sellers because M&A is no longer a one-time event providing a "second bite at the apple."

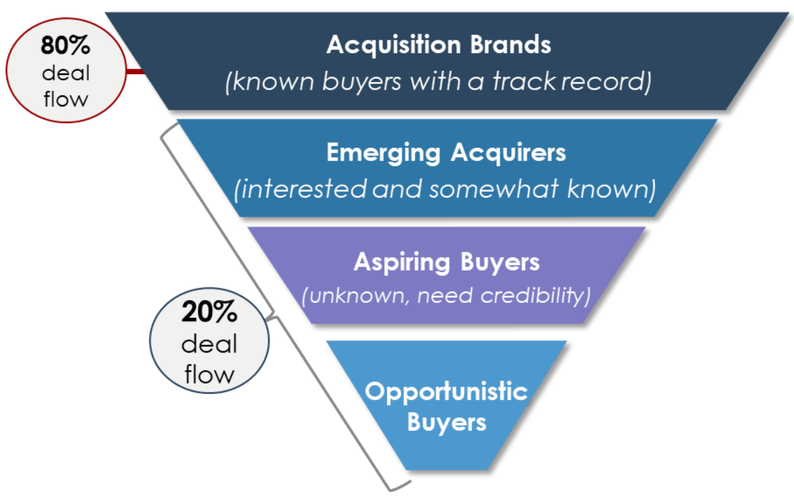
The evolution of transaction structures shifted the market from "one-time" to multiple ways to win. AGS believes this offers a more compelling narrative for next-generation talent and growth-oriented owners. However, these changes will also create a more challenging evaluation framework for owners nearing retirement. Some buyers use growth-sharing to signal they are *not* the destination for a seller that wants to "sell and go away."

## Buyers Pick an Identity

The buyer landscape evolved further in 2021. Common buyer profiles now include full and flexible integrators, platform-driven investors, and investors. These varying models are a direct response to increased buy-side competition. Acquisition Brands, which include firms identifying as all of these, had another banner year as the top 22 Acquisition Brands accounted for almost 80% of reported transactions. The evolution of transaction and operating models is essential. While the M&A market is not a zero-sum proposition, increased competition creates more options for sellers and a higher barrier to winning transactions. Potential buyers must pick an identity, whether systematic or opportunistic, to stand out in an incredibly crowded space.

Acquisition Brands further defined their ideal targets and operating models while improving their messaging. To effectively address the current M&A opportunities, buyers must prepare to answer key questions in order to build confidence with sellers. These questions involve life beyond the transaction, and Acquisition Brands have developed unique approaches to address sellers' needs. AGS' 2021analysis found 60% of Acquisition Brands were integrators, 14% were platform-driven investors and 13% were investors.[iii] The most challenging entry point for prospective buyers is the integrator category, and any new entrants should deeply consider how to differentiate from existing firms.

The evolution of operating and deal models is not the only barrier facing potential buyers. Valuation levels and cash-heavy deal structures have also created a moat around the best opportunities. Potential buyers must focus on the connectivity between business management and their M&A story to penetrate the current deal flow. Potential sellers ask detailed questions about organizational structure, roles and responsibilities, compensation, portfolio management and technology integration earlier in the process. This shift means any potential buyer must quickly connect the dots between their transition and operating model or risk losing good opportunities to established Acquisition Brands.




Acquisition Brands with a systematic and purpose-driven M&A approach are positioned to win. These platforms have built a story around geographic expansion, talent acquisition and post-transaction growth with a proven track record. Operating models vary from full adoption to multi-boutique, but these Acquisition Brands have defined their identity and continue to trust their approach with increased seller supply. This common theme highlights the actual equation for success. In a world where all transactions fundamentally have the same levers, a buyer's platform story and thesis for sharing long-term growth are the only true differentiators.

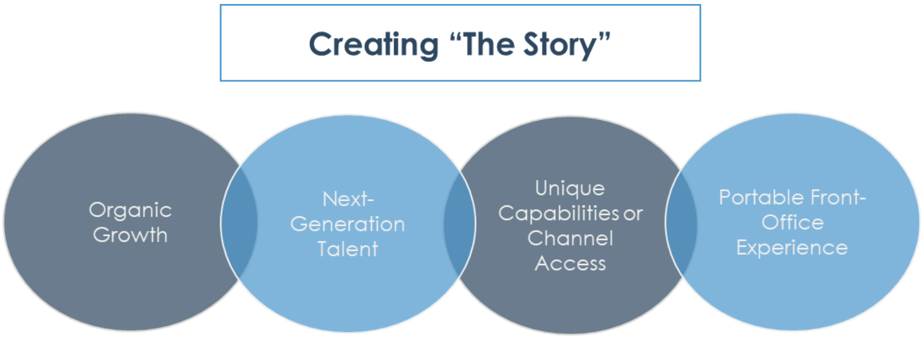
RIA M&A will become more homogenous as Acquisition Brands scale M&A. Opportunistic buyers will have opportunities, but the story behind "why us" will require more precision. Due to increased valuation levels and heightened competition, the current cost of acquisition will leave little room for error. Opportunistic or earlystage buyers must take the opportunity to link their business management practices to value-creation through M&A.

## The Seller's "Story" Matters

2021 set another record for the number of transactions in the RIA space. Persistent drivers such as succession, management fatigue, tax policy concerns and platform strength remained strong. Increased valuations and seller-friendly terms added to the pressure and brought more firms to the market. This steady increase in transaction volume implies that the total supply of acquisition opportunities is at an all-time high and unlikely to retreat in the near term. The implied increase in supply and slowing valuation growth aren't necessarily causes for seller concern. Instead, the AGS team believes these factors point toward a tension between achieving an average or premium valuation outcome.

The pressure is similar for buyers and sellers. Just as the competitive market landscape in 2021 forced buyers to clarify their value proposition, sellers are now being asked to refine their stories. "What makes you any different from other sellers evaluating the market?" This one question is likely to dictate whether a seller achieves market standard outcomes or exceeds them. Unsurprisingly, this is the exact question that wealth management firms must answer for end-investors.

For several years, demand for a stake in an RIA's growing cash flow stream has materially outpaced supply. This dynamic was still at play in 2021 but supply steadily increased as more sellers were lured to the market by high valuations and favorable deal structures. A median valuation multiple of 9X adjusted EBITDA is fantastic, but it will likely become more challenging to exceed an average outcome without a compelling story. The 2022 buyer survey showed that buyers are becoming more comfortable with evaluating dozens if not hundreds of transactions every year and only converting a low percentage. This message is clear: Acquisition Brands are looking to deploy capital efficiently and favor sellers with organic growth, next-generation talent, unique capabilities or clients, and a portable front-office experience.




**Organic Growth**

To achieve premium valuations, a seller must exhibit a track record of repeatable growth. People and processes should support organic growth to demonstrate sustainability. A strong track record of net new growth gives buyers confidence in deploying their increased resources to achieve even higher growth goals.

**Next-Generation Talent**

Many RIAs still prefer to transition the business internally, but several challenges exist with execution. Increased valuations and the struggle to find talent have made internal succession less feasible. The AGS survey revealed that 53% of respondents are not ready to transition the business internally due to affordability issues, a lack of candidates or the next generation being unprepared. Additionally, 31% of survey respondents cited talent as the number-one priority in 2022, but a tight labor market complicates succession planning. Despite these challenges, there is strong justification for pursuing a multigenerational RIA beyond managing risk. The external market is willing to pay a premium for opportunities with next-gen talent and a differentiated story. The current "seller's market" applies to all RIAs versus those looking to pursue a transaction in the short term.

**Unique Service Capabilities**

Unique service capabilities are attractive for two primary reasons. Firms that provide additional services beyond traditional wealth management, such as trust administration or high-net-worth offerings, typically have stickier client bases and higher client retention rates. Additionally, Acquisition Brands find these services attractive because they can be distributed more widely post-acquisition.

**Portable Front-Office Experience**

Acquisitions are much smoother when the client experience remains essentially unchanged. Disruptions in the client experience post-acquisition can lead to attrition. Advisors looking for an immediate exit in conjunction with a transaction should not expect premium valuations.

## Testing the Limits

2021 redefined the limits of RIA M&A, but an active transition environment is here to stay, with little evidence that a decline in activity in 2022 is probable. The activity in 2021 suggests RIA M&A will remain strong, and buyers and sellers are likely to face increased pressure to differentiate. Current market conditions indicate that Acquisition Brands will need more conviction to pursue any transaction. A highly competitive market combined with the increased cost of acquisition will likely result in systematic buyers heavily scrutinizing deal flow and casting off a long tail of seller opportunities. Acquisition Brands have a distinct advantage because they see more, evaluate more and pass on more purchase opportunities.

Both buyers and sellers will need to emphasize their “story” In 2022. Increased valuations and the influx of institutional capital will bring more buyers and sellers to market, making a case that the industry will have similar volume to 2021. However, the AGS team expects it will be more difficult for sellers to command a premium above the median and for non-Acquisition Brands to win deals without a compelling story. The best buyers are the best sellers because there is a strong story centered around three factors: organic growth (net of the market), talent (bench strength) and unique capabilities (services or niche growth channels).

There are many reasons to be excited about the year ahead, but the industry should continue studying a rapidly changing market. Valuations may not grow at the same rate, and buyers and sellers will need to focus more on building robust business management processes to differentiate, maximize options and make a relative valuation premium. There are no guarantees in M&A, but one certainty is that all RIAs should remain informed and nimble as the industry rapidly changes over the next decade.

## Contact Us

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## About the Research

AGS collected transaction data and surveyed industry participants from November 2021-January 2022. AGS added data on 51 transactions completed in 2021 to the 124 transactions from the last three reports (covering transactions from 2015-2020) and increased the total number of tracked transactions to 175. Overall, 2021 data included over $45B in seller AUM and $900M in total valuation. To supplement transaction data, AGS surveyed a broader set of RIAs in early 2022, 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 2021, 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-$5M in revenue.
    - 24 transactions greater than $5M in revenue.
- **2022 RIA Survey (n=101):** AGS launched a 20-question survey in early 2022 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. Full survey results will be released in a separate report.
    - **53% of survey respondents were greater than $1B in AUM.**
    - 21% of survey respondents were between $500M-$1B in AUM.
    - 26% of survey respondents were between $100M-$500M in AUM.

## Glossary and Definitions

- Acquisition Brands: large RIA acquirers (financial or strategic) that have completed multiple transactions and make M&A a known growth objective.
- 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).

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[i] Fidelity Wealth Management transaction report, 2021.
[ii] Cerulli and Associates, RIA Report, 2021.
[iii] Totals do not equal 100%; the remainder included banks, private equity and others.