

# 2024 Advisor Valuations Rebound to All-Time Highs



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Succession Resource Group, Inc. (SRG) published its eighth annual review of advisor acquisition activity, unveiling key trends for advisors interested in buying, selling, and succession planning. In this most recent data release, SRG reported on 188 transactions representing more than \$25 billion in assets under management. Despite a high-interest rate environment, the M&A market was driven by strong demand, access to capital, increasing valuations, and shifting seller preferences toward larger buyers with the ability to scale. The average RIA/recurring revenue multiple reached 3.02, highlighting a resilient and sustained M&A market.

### M&A Highlights:

- The average recurring multiple climbed 7.9%, reaching an average of 3.02, up from 2.80 in 2022, consistent with the increased growth of EBITDA multiples for the same period.
- Sustainable growth was a key driver of value, with larger firms demonstrating more consistent growth and profitability, enabling them to achieve higher multiples.
- Advisors with sell-side support in a competitive bidding situation received a 10.5% higher purchase price and 27.9% larger down payments than those selling off-market to a peer.
- Out-of-state buyers continue to increase, with 25% of all 2024 deals involving a buyer in a different state.

### Market trends:

- Interest rates contributed to lower overall deal activity than anticipated, though deal volume in 2023 was higher than 2022 but below projections. Overall, buyer demand remained strong considering the higher-than-normal rate environment, with the 2024 average buyer-to-seller ratio reaching 85:1.
- Third-party financing availability is on the rise, with many broker-dealers now offering loans at below-market rates, supporting their affiliated advisors' inorganic growth plans. Deals using third-party financing had an average down payment of 86% versus only 14% for those not using a lender.
- Internal succession planning is starting earlier for firms, with the average succession plan sale process occurring over a six-year period, a year longer than previous years, though still shorter than recommended by SRG. Overall, 58% of those engaged in succession planning are now leveraging external capital to assist next-gen advisors with the buy-in.

- Private equity-backed aggregators are contributing to increased valuations due to the perception they are paying above-average values. Based on SRG's experience in 2023, these PE-backed aggregators are skilled acquirers and can be a great fit for certain exiting teams. However, most advisors have not achieved the size and scale to be viable candidates, and private equity has not historically overpaid for businesses; instead, they use creative deal structures involving equity in the acquirer and contingent financing based on lofty growth expectations. These creative terms allow PE aggregators to present a value that appears above average, though only one-third of the value on average is guaranteed.

The 2024 advisor M&A market is expected to be active and carry forward 2023's strong demand and high valuations, regardless of what the Federal Reserve does with interest rates. Discussing the current M&A market, [David Grau Jr., President of Succession Resource Group](#), shared his firm's perspective on where things are heading in 2024, "The pace of deals isn't likely to slow anytime soon unless there is a major market correction or regulatory change, which will slow the M&A market temporarily, then lead to a flurry of deal activity, similar to what I saw in 2008/2009. At this point, demand remains strong, and there is more access to capital than ever, supporting a healthy amount of consolidation over the next few years. But advisors need to be prepared for their exit. Buyers are getting smarter and more experienced; getting your value out may not be as easy in the coming years."

#### **About Succession Resource Group**

Succession Resource Group is a succession consulting firm based in the Pacific Northwest, serving advisors across the country. Founded [by David Grau Jr.](#), a well-known industry expert who has more than 20 years of M&A experience helping advisors with valuation and succession planning, SRG's team of experts leverage their industry expertise combined with best-in-class resources to help advisors, agents, and accountants manage the equity in their businesses. With decades of experience on the team, SRG has helped thousands of clients [value their business](#), improve their business's value, set up and formalize their [equity structure](#), share equity, and [plan for their eventual exit](#).

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