

Advisor M&A and Equity Highlights

2023

1

Multiples normalize after post-pandemic market spike.

6.9%
Five-Year Recurring Revenue Multiple Increase

2.95x
Average Recurring Revenue Multiple on Sell-Side Represented Deals in 2022

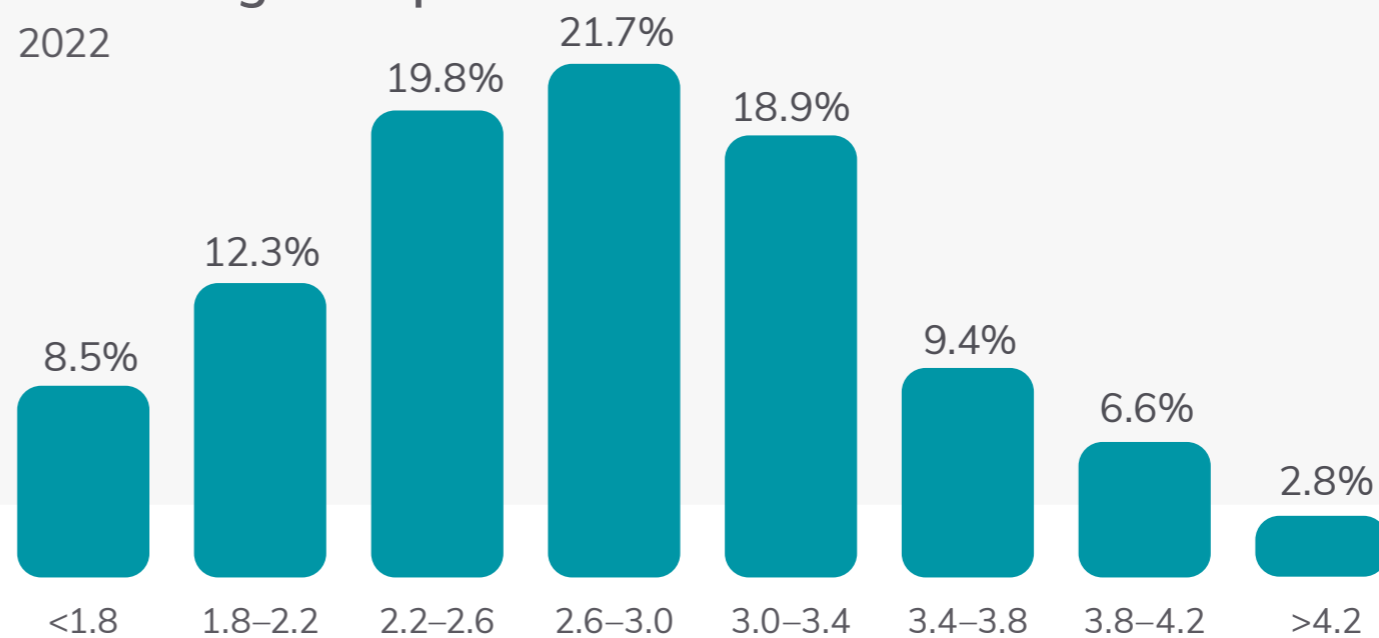
Yearly Progression of Recurring Revenue Multiples



Less Optimized Practices
No Clawback (Buyer Risk)

Optimized Practices
Clawback (Seller Risk)

Frequency of Recurring Multiple



PRO TIP

Multiples saw a slight decrease in 2022 from the previous year. According to SRG, this is a reflection of the overall economic climate, a shift toward cash-heavy deals, and a natural correction of the post-pandemic market surge in 2020 and 2021.

2

Down payment percentages continue to increase even in the midst of a possible economic recession.

45.0%
of Deals had a Clawback

55.5%
of Deals Received All Cash at Close

17%
Seller Financed

83%
Down Payment

2022 Average Deal Structure

PRO TIP

Broker Dealers and RIAs broadened their lending programs in 2022, resulting in a wider range of financing options from the traditional sources seen in previous years.

Average Deal Structure Breakdown

46%
Seller Financed

No External Lending Used

54%
Down Payment

13%
Seller Financed

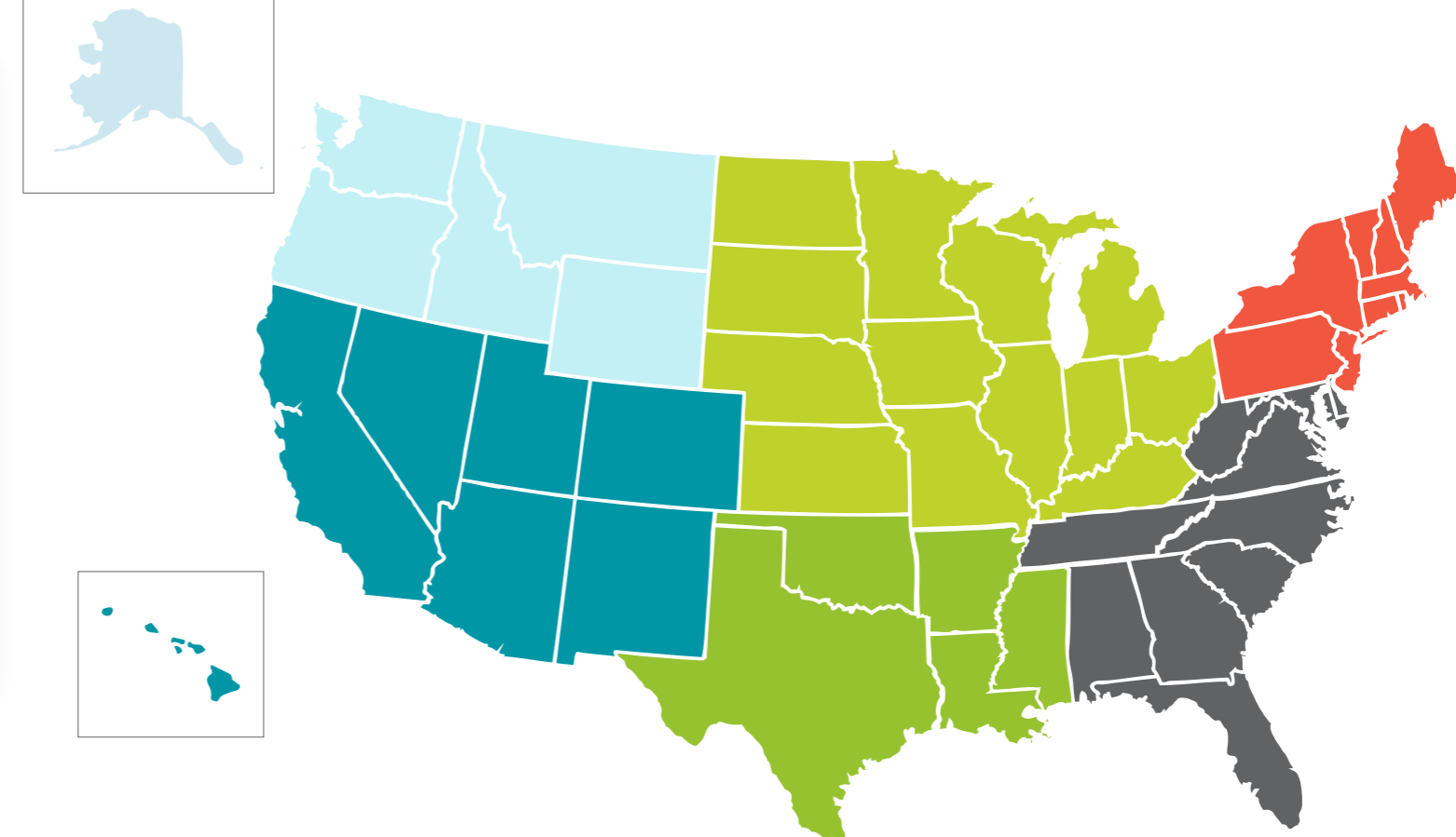
External Lending Used

87%
Down Payment

3

Average recurring multiples stay strong across the United States.

3.05x 2.68x 2.58x 2.79x 2.92x 2.78x



PRO TIP

Growth is a key element to obtaining the maximum value and attracting the best buyers upon an exit. Valuations can help you understand your Key Performance Indicators (KPIs) and narrow down key areas of potential improvement to increase your value - both in the short-term and long-term.

4

Valuations are not about yesterday, last month, last quarter, or even last year.

PRO TIP

Focusing on long-term growth is key for buyers and sellers alike. Short-term gains or losses are not indicative of the practice.

Looking at the average growth rate over a 3- to 5-year period normalizes market fluctuation and/or abnormal years related to teaming relationships, acquisitions, or advisor dissolutions.

Average CAGRs by Firm Revenue Group

	Under \$500k	\$500k to \$1.5m	\$1.5m to \$2.5m	Over \$2.5m
1-YR	2.9%	6.5%	6.8%	6.9%
3-YR	9.8%	11.4%	10.4%	15.5%
5-YR	13.3%	12.3%	14.0%	17.1%

5

Attracting and retaining talent has become a top priority for many firms post-pandemic.

PRO TIP

In the wake of the pandemic-spurred "Great Resignation," potentially employees are becoming increasingly selective. To attract high-quality candidates, employers are turning to a variety of methods: increased compensation (including base salary and incentive-based bonuses), refining their company values and culture, and offering additional perks, such as competitive benefits and equity sharing.

\$150k
Median Base Salary for Lead Advisors

\$69k
Median Base Salary for Junior Advisors

\$49k
Median Base Salary for Administratives

18.3%
Median Employee Costs as a percentage of revenue

\$545k
Median Revenue per employee

6

Limited Liability Companies (LLC) continue to grow in popularity.

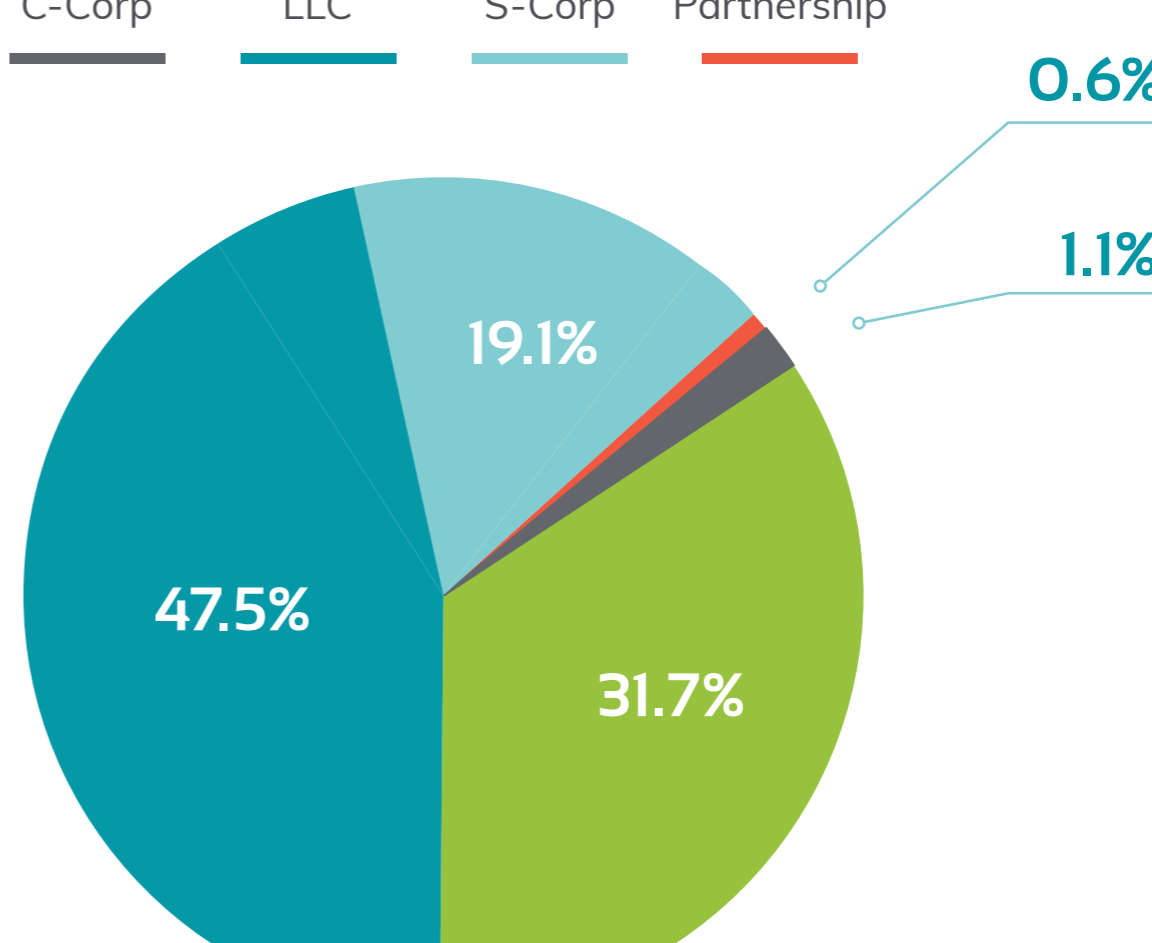
PRO TIP

LLC entity structures, such as LLCs and S-Corporations, are increasing in popularity due to a number of factors, including limited personal liability, a defined and regulated ownership structure, easy growth through mergers and acquisitions, and potential tax savings.

Entity Structure Type

2022

Sole Prop C-Corp LLC S-Corp General Partnership



Engage Today!

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