

RIA M&A Activity Strong in Third Quarter of 2015

25 Transactions Executed During the Quarter; 86 Transactions Year-to-Date

A total of 25 RIA Mergers and Acquisitions were executed during the third quarter of 2015, down slightly from the 27 transactions executed in Q3 2014. Despite this deceleration from five successive record quarters of activity, the year-to-date numbers are still at record levels. The 86 transactions tracked by DeVoe & Company during the first three quarters of this year are a 43% increase above the 60 transactions executed during the same period in 2014.

“Although RIA M&A activity was still strong in Q3 2015, the momentum slowed from its record breaking pace,” said David DeVoe, Managing Partner at DeVoe & Company. “This is likely due to the extreme market volatility, which can appropriately distract sellers from live negotiations.”

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“The industry continues to track toward a record-breaking year, likely exceeding the previous record of 90 deals transacted in 2014,” said Tim Forest, Managing Partner at DeVoe & Company. “We see this acceleration of M&A activity as part of the natural trend toward consolidation that most hyper-fragmented industries experience as they mature.”

Inorganic Growth as a Core Business Strategy. The line differentiating ‘consolidator’ and ‘RIA’ buyer categories continues to blur as ‘inorganic growth’ becomes a primary component of the corporate strategy for a growing number of RIAs. The vast majority of the acquirers in 2015 YTD (87%) had acquired one or more RIAs in the past. “Many advisors are actively developing a core competency around the acquisition and integration of RIAs,” said Vic Esclamado, Managing Director at DeVoe & Company.

“These buyers agree with many experts that industry consolidation will accelerate, and are positioning themselves to absorb RIAs who are seeking an external succession plan or the benefits of scale.”

Outlook for the Future

DeVoe & Company anticipates that the RIA M&A activity will continue to increase steadily over the next five to seven years, in the absence of unforeseen events.

Average AUM of Established RIA Seller



This expected momentum is due to structural changes to the industry which will drive an increase in M&A:

- Aging demographics of RIA owners
- Well-financed consolidators
- Increase in alternative forms of capital
- Growing M&A sophistication of advisors

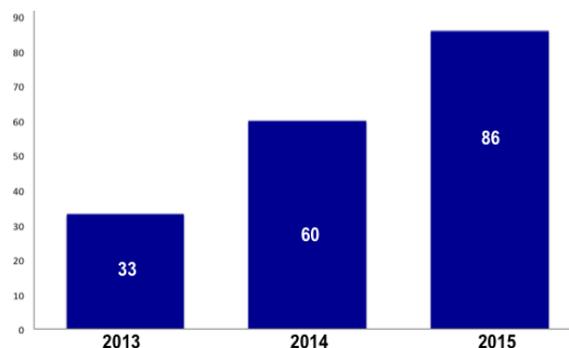
A number of external factors ranging from the economy and the stock market, to the future success of ‘robo-advisors’, to supply / demand ratio of selling advisors, can and will affect the future RIA M&A market.

Methodology:

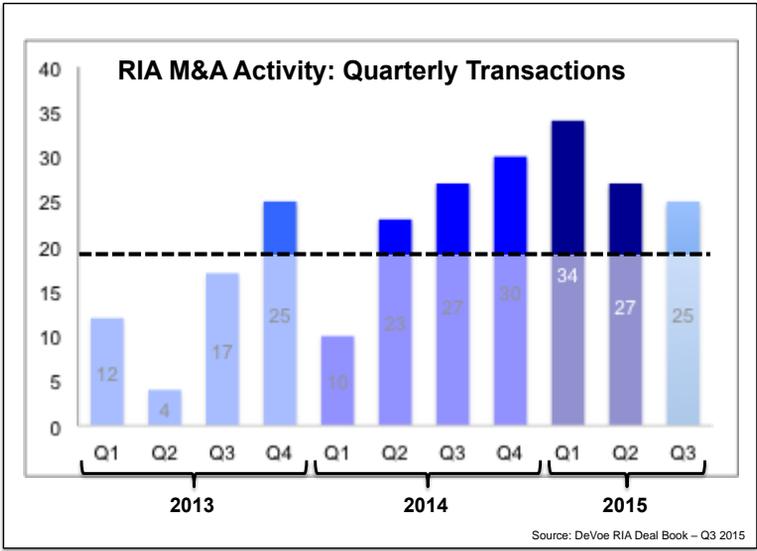
The DeVoe RIA Deal Book seeks to track all mergers, sales and acquisitions of firms that are registered with the SEC as an Registered Investment Advisor. The report includes

all transactions identified with over \$100 million in Assets Under Management, based on a recent data source (e.g. SEC IARD website, a press release), in an effort to maintain consistency of data over time. The report includes advisors who leave other financial service institutions to join RIAs and are expected to bring over \$100 million in AUM to the new company, as this transition would likely include consideration paid for said asset.

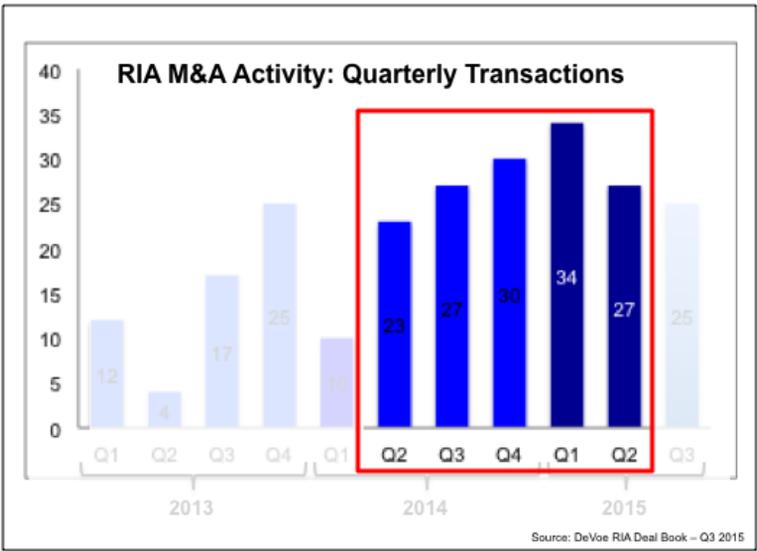
Total RIA Acquisitions: First Three Quarters of Year



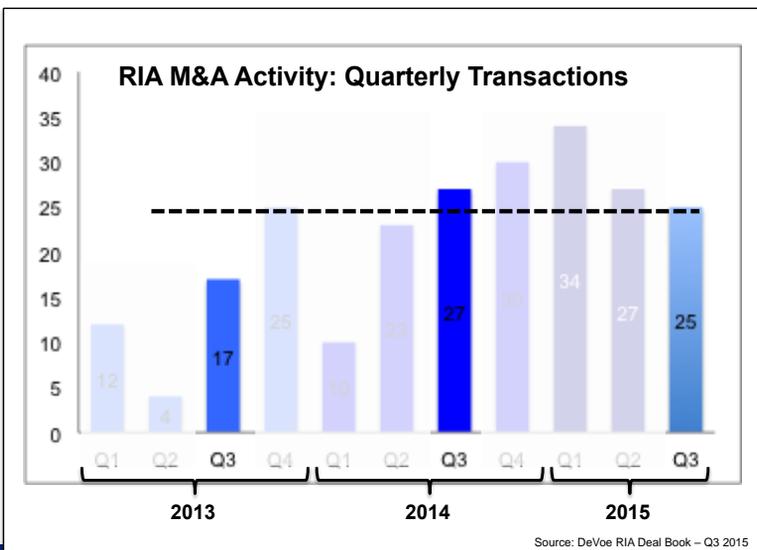
Source: DeVoe RIA Deal Book – Q3 2015



More than 20 transactions per quarter have occurred for six straight quarters.



The industry experienced five successive record-breaking quarters from Q2 2014 through Q2 2015 (please note that although this slide only shows data since 2013, these are all-time records for the industry).



Q3 2015 was a strong quarter overall, but did not exceed the record 27 transactions executed in a *Third Quarter* set last year.

Planning to transition equity or maximize the value of your business? Start with a Valuation by DeVoe & Company

Gain clarity on the value of your firm through our analytically rigorous process and intimate understanding of wealth management businesses

Valuation is a blend of science and art.

At DeVoe & Company we've harnessed our inner-nerd to create elegant, flexible models that capture and evaluate the hundreds of elements that drive value.

And when it is time to evaluate the less tangible components – the 'art' side of the equation - our experience of working with hundreds of advisors, combined with our analytical approach, ensures that the subjective elements of the equation are rooted in a thoughtful assessment.

The result is a highly defensible, methodical and analytically rigorous valuation you can use to prepare for an optimal transition or as a springboard for a higher valuation in the future.

Our Approach

Would you value your greatest asset based on math a ten-year-old child could do in their head? Your business is too important to rely on a simple multiple of revenue or cash flow to value your company.

DeVoe & Company uses the complex and analytically rigorous Discounted Cash Flow approach as the core to every valuation. We start by taking time to understand the history, risks and unique capabilities of your firm. In close consultations with you, we develop a defensible five-year forecast for the business. Leveraging the 80+ years of collective financial services experience of the team to create a concrete vision of your firm's future. Comprised of both former RIA COO's and McKinsey-trained consultants, our team is well-positioned to craft a clear picture of your organization today and in the future.

The methodical process we go through, combined with the experience of our seasoned team, helps create such a rich and insightful window into the health of the business that many clients use DeVoe & Company valuations as the foundation to their annual business planning.

We seek to make a science out of valuation, so that you can best pinpoint the true worth of your company and create the clearest path to increase its value.

Valuation Analysis

We offer three levels of valuation analysis, providing clients with options to fit their budget and needs. The three levels differ in terms of the degree of customization and services provided.

	Level I	Level II	Level III
Methodologies			
Discounted Cash Flow	■	■	■
Cash Flow Multiples	■	■	■
Revenue Multiples	■	■	■
Historical Analysis			
5 Year Historical Financials	■	■	■
Category and Line Item Analysis	■	■	■
Financial Projections			
5 Year Financial Projections	■	■	■
Expense Assessment	Straight-Line	Key Expenses Tied to Expense Drivers	All Expenses Tied to Expense Drivers
Client Age Assessment			
Weighted Average Age	■	■	■
Segmented by Decade		■	■
Spouse Relationship Assess't			■
Client Calls			
David DeVoe's Engagement	4 Final Meeting	5 Most Meetings	6 to 7 All Meetings
Price	\$6,000	\$11,000	\$16,000

We also have experience valuing RIA's businesses that have ancillary tax planning services, 401K businesses and other service and business lines.

DeVoe & Company representatives can help identify the level of valuation that is most appropriate for your firm's size, complexity and needs.

Getting Started

For more information or to begin your valuation engagement call us at 415-813-5066 or send an email to info@devoe-co.com.