

RIA M&A Activity Ticks Up Slightly

Growth was slow and steady in the second quarter, as new trends emerge

RIA merger and acquisition (M&A) activity delivered another 60-plus transaction quarter, as the market appears to have settled into a post-pandemic paradigm first predicted by DeVoe & Company in 2020. For nearly three years, the number of quarterly transactions has consistently hovered around 65. While this volume continues to outpace any quarter prior to 2022, M&A activity in the RIA industry has now remained on a steady plateau for an extended period of time.

With 126 transactions announced in the first six months of 2024, activity inched up 5% compared to the same period last year. Though modest, this growth signals a stable, healthy M&A market. Transaction activity continues to be driven by RIAs' need to solve for succession, growth and scale. On the buyer side, established acquirers are being joined by new entrants, and both are typically backed by private equity. At the same time, the current high interest rate environment demands increased discipline from all participants.

In the second quarter of 2024, 61 transactions were announced. This represents a slight decrease from the 65 transactions recorded in the first quarter and an increase from 57 transactions in the same period last year, which was an unusually low quarter.

While RIA M&A activity is only slightly ahead of where it was at the same time in 2023, some notable trends continue to develop. Recently, there has been a proliferation of new buyers in the RIA space. Eighty-three buyers announced transactions in the first two quarters of 2024, a 26% increase from the first half of 2023.

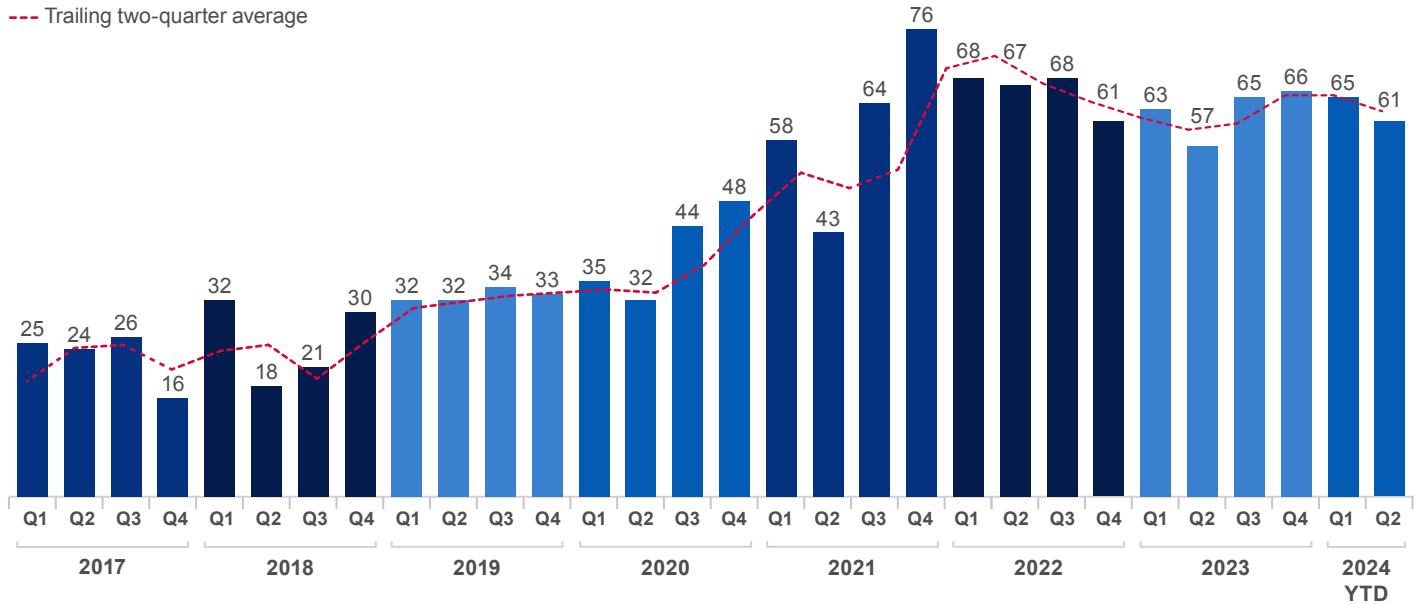
Private equity continues to have a profound influence on the RIA industry. Close to three-quarters of all transactions completed this year involved firms backed by private equity. An offshoot of private equity is the momentum of *sub-acquisitions* (acquisitions by firms that were previously acquired themselves; *See Sub-Acquisitions for more information*) and the revival of minority investments. So, despite a relatively boring topline of total M&A activity, several sub-trends are keeping things interesting.

Overall, 2024 is tracking towards a nominal increase in transactions relative to 2023. The lack of succession planning and the widening affordability gap for RIA next-generation (NextGen) leaders to buy out founders is expected to continue to drive external sales. Although 2025 currently appears poised for a slow but steady increase in M&A, various market, economic or political developments could alter this trajectory.

Quarterly Transaction Volume Remains Steady

Number of transactions reported per quarter

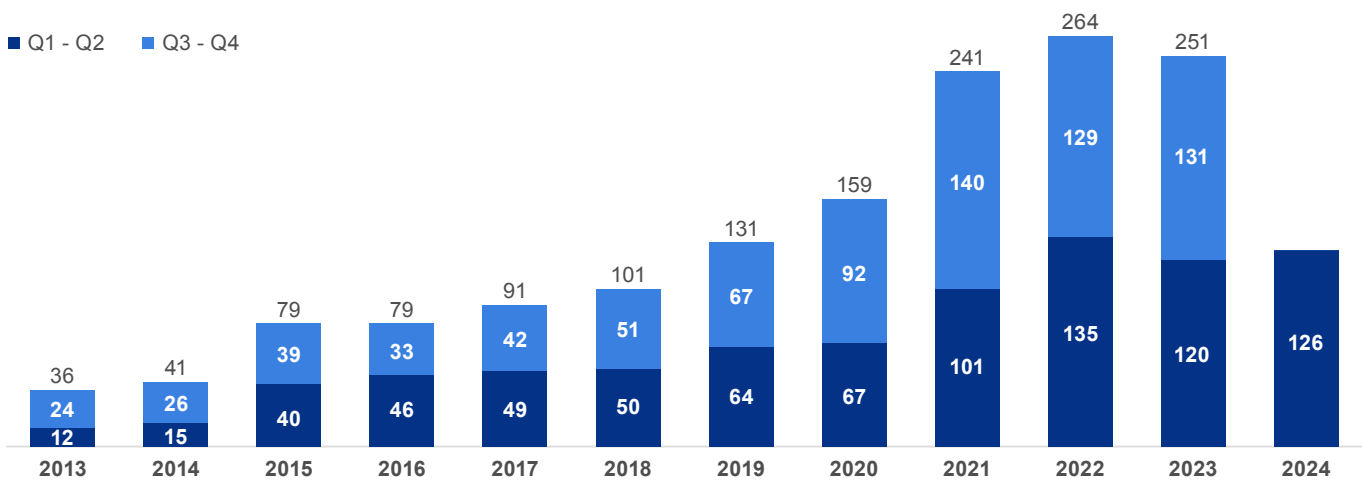
--- Trailing two-quarter average



2024 M&A Activity Tracking Slightly Ahead of 2023

Annual and first half M&A activity

■ Q1 - Q2 ■ Q3 - Q4



Seller Activity: Mega Firms Set the Pace

The seesaw tipped in 2024: Small RIAs decreased their activity while the largest RIAs signed transactions at the highest pace in years. Mega firms with over \$5B in assets under management (AUM) appear on track to have their best year yet. Overall, seller volume maintained equilibrium at the \$1B AUM mark (for 18 months now, sellers under \$1B have comprised 64% of the transactions), but shifts within each category ultimately drove up the average deal size.

Small Sellers Lose Ground

Smaller sellers have led the activity, with close to half of all transactions executed in five of the last seven years. However, their activity slowed in the first half of 2024 as the average seller size grew on a year-over-year basis.

Sellers with between \$100MM and \$500MM lost 4% of market share to their mid-sized counterparts in 2024, yet they remained the largest seller group by percentage of total transactions with 46%. Year-to-date, this group is

one transaction ahead of the 57 announced in the first half of 2023.

Mid-Sized Sellers are Back in the Game

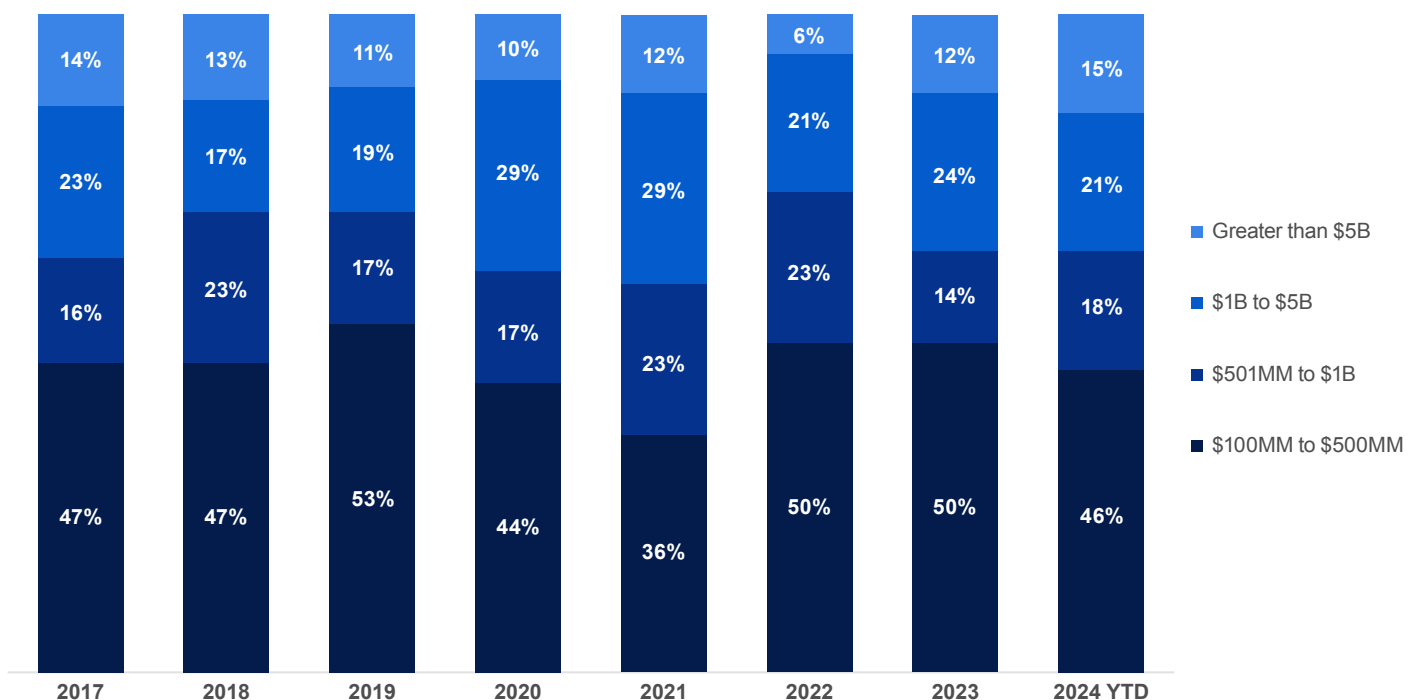
After decreasing M&A activity by nine percentage points in 2023, mid-sized seller activity (\$501MM–\$1B) is surging. This group accounted for 18% of all transactions in each of the first two quarters of 2024, up from 13% in Q2 2023 and 14% at the end of 2023.

Mid-sized sellers are becoming more attractive to buyers, as they often sell at a discount to large and mega-sellers, are relatively easy to integrate, and can provide a moderately sized office in a new market.

One example was executed by Beacon Pointe Advisors, a consolidator backed by KKR since 2021. In June they announced the acquisition of Joslin Capital Advisors, a \$775MM AUM Washington state-based RIA focused on serving physicians. The transaction came out of a previous relationship between firms and strengthens Beacon Pointe's footprint in the Pacific Northwest.

Mega-Sellers Reach Highest Level Since 2015

Percentage of total transactions by seller AUM



Large Sellers Decline

Large sellers with between \$1B and \$5B in AUM have fallen slightly below their historical average of 23% with just over a fifth of transactions in 2024. The 27 transactions announced in 2024 materially lagged the amount reported during the same period in 2023.

Large firms are attractive to major acquirers. Common M&A wisdom is “it takes just as much energy to do a big deal as a small deal.” And larger transactions can provide so much more to a buyer: greater revenue and profit, an established office in a key location, and an organization that may not have as much risk or require as much energy as a smaller firm.

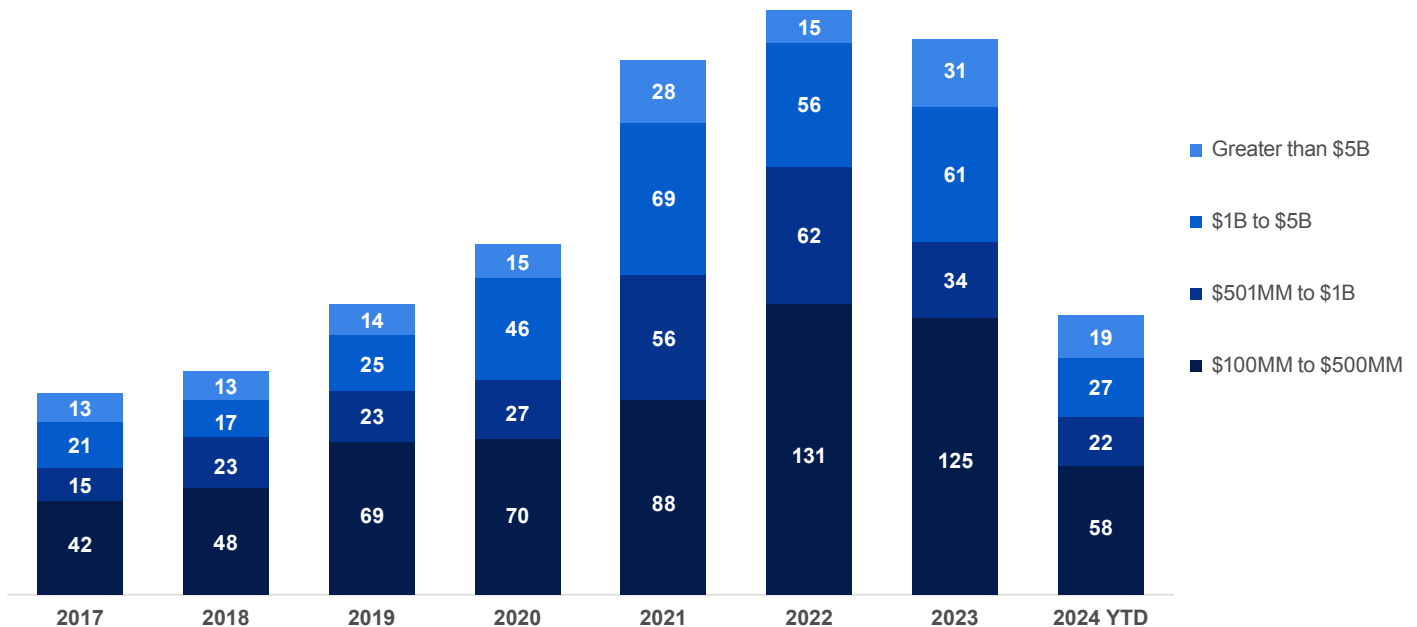
Mega-Sellers Poised for Banner Year

Mega-sellers with more than \$5B in AUM are surging, potentially driving 2024 to become the first year this cohort reaches or exceeds its 2015 record level of 16% of all transactions.

Currently at 15% of YTD transactions, this group of buyers has gained the ground lost by large sellers. With 19 transactions announced in the first half of 2024, mega-sellers are six transactions ahead of the same time period in 2023.

Smaller Firms Drove Q2 Transaction Volume

Number of transactions by seller AUM

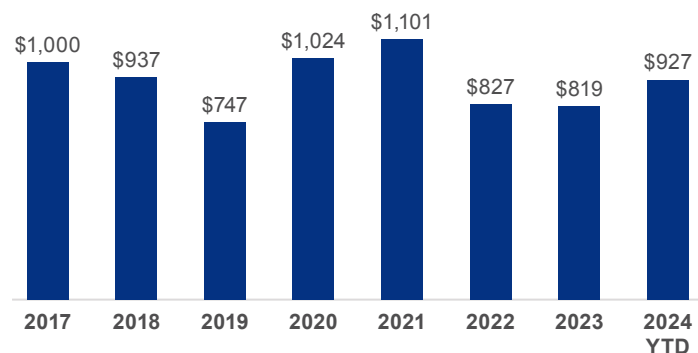


Average Seller Size

In the first half of 2024, average seller size surged to \$927MM in AUM, a significant increase from \$819MM in 2023. The erosion of the smaller seller category contributed to the lift in this figure, as did the stock market's upward trend since November 2023. DeVoe & Company calculates this number by averaging the seller size of firms between \$100MM and \$5B to remove any outliers, so the increase in \$5B+ firms did not influence the average seller size.

Average Seller Size Continues to Climb

Average AUM of sellers
(Sellers with AUM greater than \$100MM and less than \$5B; in MM)



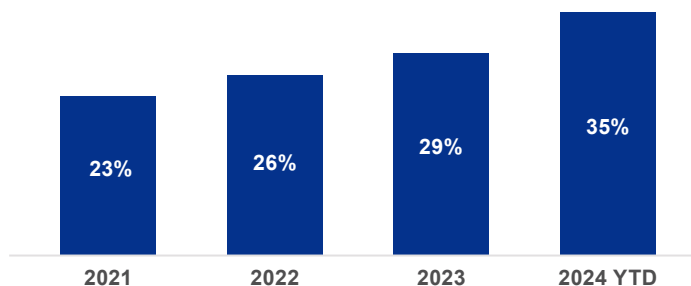
DeVoe & Company excludes seller transactions over \$5B in AUM

RIA Buyers Expand Market Share as Consolidators and Others Step Back

RIAs as a buyer category is the only buyer group that has been increasing their market participation over the last few years. Although *Consolidators* have been the most active buyers over the last decade, their market share has dropped steadily since 2021. Acquisitions by buyers in the *Other* category remained steady in recent years, but declined year-to-date in 2024 as compared to 2023.

RIA Buyers Continue to Grow

Percentage of transactions by RIA buyers



RIAs Add to Market Share Gains

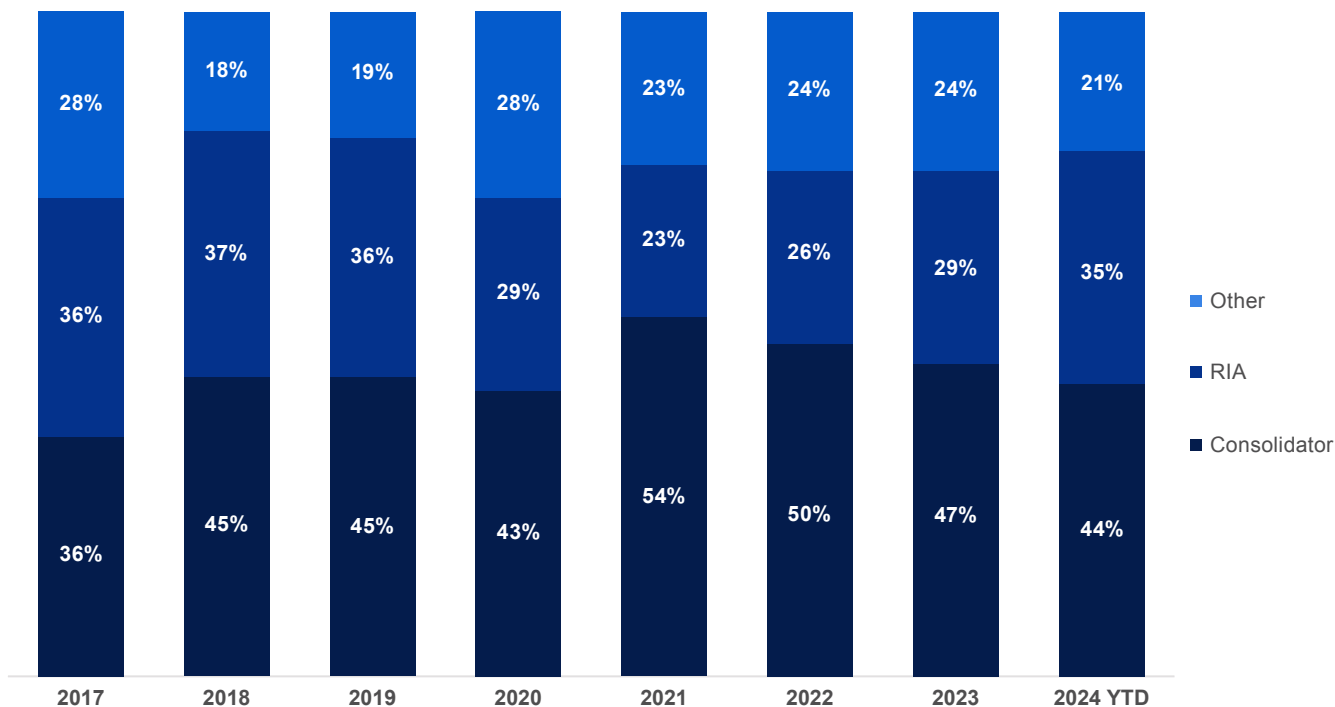
RIA buyers have been the main benefactor of the *Consolidators'* slowdown. RIA buyers are responsible for 35% of all transactions year-to-date, an increase of 12 percentage points since 2021.

During the first two quarters of 2024, the 44 transactions announced by this group represent a 29% increase over the 34 transactions recorded midway through 2023.

RIA buyers are both finding ways to offer more value to prospective sellers and becoming savvier dealmakers. Joining an RIA that is similar in size and capabilities may be attractive to potential sellers who wish to have a voice at their new firm post-acquisition. Similarly, sellers seeking to maintain their firm's culture often choose to sell to RIAs as opposed to *Consolidators* or *Other* buyers.

RIAs Continue to Gain Market Share from *Consolidators* and *Others*

Percentage of acquisitions by buyer category



Consolidator Contraction

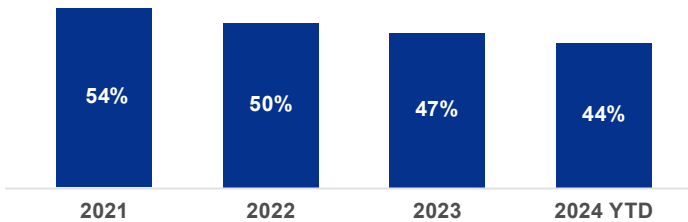
Consolidators have seen their market share erode from a high-water mark of 54% in FY 2021 down to 44% in the first half of 2024. This group, which DeVoe & Company defines as companies that have business models predicated on making RIA acquisitions, has lost three percentage points since the end of 2023, yet continues to dominate the field of play. *Consolidators* announced 56 transactions in the first half of 2024, compared with 59 during the same time last year.

The decline of *Consolidators* has been by their own hand. Many of these companies are becoming increasingly selective with their acquisition strategy in an effort to manage their capital structure in the elevated interest rate environment. For firms that haven't raised money in the last few years, managing their M&A appetite is an appropriate way to ensure they don't violate a debt covenant. By contrast, those acquirers that have recently recapitalized are positioned to acquire more aggressively.

Despite the continued compression over the last few years, *Consolidators* are still the dominant force in the realm of RIA acquisitions. And as interest rates decrease and more *Consolidators* raise additional capital, their market share of transactions will expand.

Consolidators Share of Transactions Declines

Percentage of transactions by Consolidators



Other Buyers Retreat

The final category includes all buyers that are neither RIAs nor Consolidators. Apart from tying for market share with RIAs in 2021 (23%) and Consolidators in 2016 (30%), Other buyers have consistently completed the smallest share of transactions since 2013. They have continued their decline so far this year with a three percent decrease compared to FY 2023.

The mix of private equity firms, wirehouses, broker/dealers, insurance companies, banks and all other buyers lost a few more points of market share in 2024. With roughly a fifth of transactions announced throughout the first half of the year, this cohort accounted for a smaller share than any time since 2019.

Minority Investments in RIAs Continue to Rise

As predicted in the *First Quarter 2024 DeVoe & Company RIA Deal Book*, minority transactions are on the upswing. After falling from a record 14% of all transactions in 2020 to just 8% in 2023, minority transactions increased by three percentage points to 11% in the first two quarters of 2024.

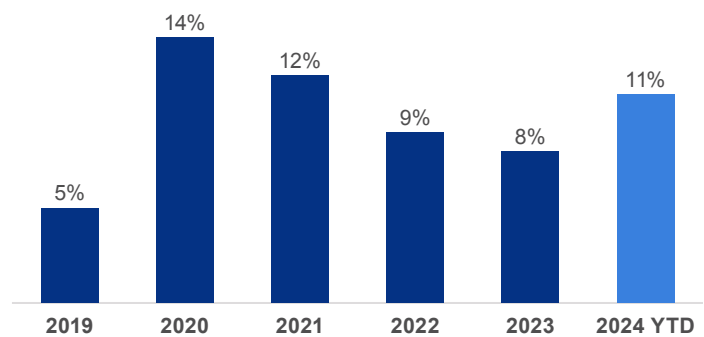
Additionally, the size of RIAs selling minority stakes in 2024 spiked above historic norms. Over half of the 14 minority transactions announced this year have involved mega-sellers with more than \$5B in AUM. Another five minority transactions involved sellers between \$1B and \$5B in AUM. In all, 93% of 2024 sellers were greater than \$1 billion, compared to the historical average of 77%.

The RIA space is attracting major investors, underscoring the power of the independent model. The Abu Dhabi Investment Authority (ADIA), for instance, has made significant investments in the upper end of the space. In addition to investing alongside Bain Capital and a consortium of investors in Corient in 2023, the ADIA joined with Advent International to take a minority stake in Fisher Investments in June 2024. The ADIA and Advent are planning to buy a minority stake of up to \$3 billion in a transaction that values the company at \$12.75B.

After experiencing an increasing amount of competitive pressure from META-RIAs and mega firms, a growing number of RIAs in the \$1B to \$10B range have sold minority ownership stakes. In an effort to stay independent, bolster their businesses and solve for the inability of NextGen leaders to afford to buy their firms, these large RIAs are partnering with minority investors rather than selling majority or full ownership stakes.

Minority Investments in RIAs Surge in 2024

Minority transactions as a percentage of total transactions



New minority investors led by industry veterans are capturing the attention of media and sellers alike. Constellation Wealth Capital, launched in 2023 by former Emigrant CEO Karl Heckenberg, was behind almost half of all minority transactions announced during the first six months of 2024. Rise Growth Partners, founded by Joe Duran earlier this year, has yet to announce a transaction but seems well positioned to do so in the coming months.

Overall, the presence of minority investors focused on RIAs is good for the industry, providing a broader set of options for advisory firms. RIA leadership teams considering a minority investment, however, should carefully evaluate these options and read the fine print of every deal. A regrettable transaction is one where the seller feels like they sold a minority stake but gave up majority control.

Leading the Way in RIA Consolidation

There are many familiar names on DeVoe & Company’s list of top acquirers, but 2024 has also seen a host of new additions. Joining the list for the first time in the first quarter of 2024 were newcomers Constellation Wealth Capital, Arax Investment Partners, Diversify Wealth Management, Perigon Wealth Management and Miracle Mile Advisors, and four additional serial acquirers were added in the second quarter of this year. This momentum sets the stage for a top acquirer list peppered with new entrants, rather than just the usual suspects that have become so familiar.

Wealth Enhancement Group (WEG) topped the list of the industry’s most active buyers once again, dominating in the first half of 2024 with 12% of all transactions. WEG announced seven transactions in the first half of the year, including two announced in the first quarter. This pushed WEG’s total AUM to \$85B as of June 30, 2024.

Two stalwarts of the top acquirers list, Allworth Financial and Cerity Partners, will be featured at the *DeVoe M&A+ Succession Summit* in September. Allworth has been the fourth-most-active acquirer this year, with five transactions in the first six months of 2024. This brings its total number of transactions to 36 since 2018. Allworth now has offices in 42 states, services clients in 50 states and has a total of \$22B in assets under advisement.

Cerity Partners also made the list with three transactions announced in the first half of 2024. Cerity Partners is a nationally recognized financial and wealth advisory firm serving high-net-worth individuals and families. Cerity Partners hit an impressive milestone in April 2024, crossing \$100B in assets with its acquisition of Agility, a Denver-based provider of outsourced chief investment officer (OCIO) solutions.

Top Acquirers with Three or More Transactions in the First Half of 2024

WEG tops the list for the 5th time since 2021

| Company | Number of Transactions |
|------------------------------|------------------------|
| Wealth Enhancement Group | 7 |
| Constellation Wealth Capital | 6 |
| MAI Capital Management | 6 |
| Allworth Financial | 5 |
| Arax Investment Partners | 4 |
| Kovitz Investment Group | 4 |
| Waverly Advisors, LLC | 4 |
| Cason Wealth | 3 |
| Cerity Partners | 3 |
| The Colony Group | 3 |
| Diversify Wealth Management | 3 |
| Mercer Advisors | 3 |
| Modern Wealth Management | 3 |
| Steward Partners | 3 |

In the first half of 2024, Kovitz Investment Group registered four transactions and The Colony Group had three. Both firms are “hubs” under Focus Financial Partners’ new corporate ownership structure, and DeVoe & Company expects to see more consolidation and continued external acquisitions from these hubs throughout the rest of 2024.

Kovitz Investment Group and The Colony Group both appeared on the list for the first time in the second quarter, along with AITi Tiedemann Global (two transactions) and Modern Wealth Management. All have taken some form of external capital in support of inorganic growth, illustrating the growing influence of investors on the RIA M&A landscape.

In all, 14 firms announced at least three transactions in the first six months of 2024, 10 of which are frequent flyers on the top acquirer list. Several other historically active buyers posted two transactions each, including Beacon Pointe Advisors, EP Wealth Advisors and Merit Financial Advisors.

Sub-Acquisitions Approach Record Levels

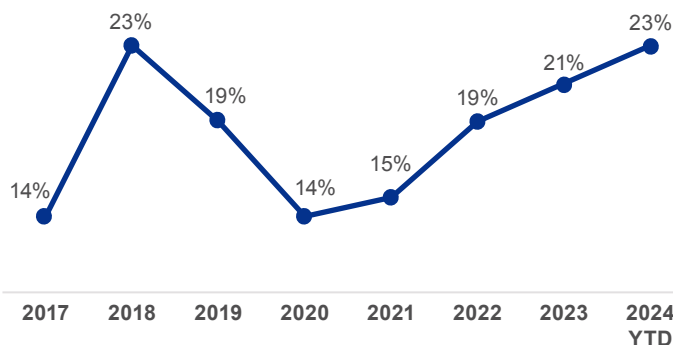
It appears sub-acquisitions are on track to break a new record in 2024. At 23% of all transactions, this subset of firms is currently tied with its all-time record level high achieved in 2018. After dropping to 14% in 2020, sub-acquisitions jumped from 15% to 19% from 2021 to 2022 and have been steadily rising ever since.

There were 29 sub-acquisitions announced in the first two quarters of 2024 versus 26 in the first half of 2023. This elevated activity will likely remain strong for the mid-term, as the value proposition of becoming a sub-acquirer resonates strongly with a segment of potential sellers.

Buyers such as Focus Financial Partners, Wealth Partners Capital Group and Emigrant Partners have developed methodical approaches to help the firms they invest in become acquirers themselves. Providing their affiliates with acquisition capital, M&A expertise and sometimes even sourcing candidates, these buyers are attracting RIAs seeking to grow aggressively following a sale.

Sub-Acquisitions Tie 2018 All-Time High

Sub-acquisitions as a percentage of total transactions

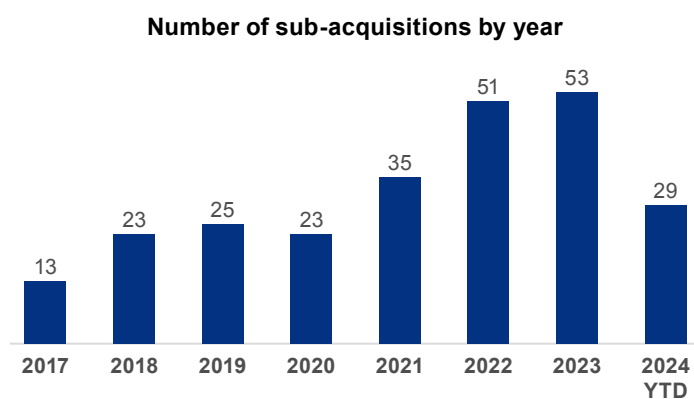


Ultimately, this model is good for the industry, as it helps well-capitalized buyers with M&A and transition acumen provide a broader set of options to the smaller end of the market.

Focus Financial Partners' recent activities underscore the potential power of the model. On the heels of its headline-grabbing sale to private equity firm Clayton, Dubilier & Rice in 2023, Focus has re-energized its sub-acquisition strategy under new management. The firm is now working to consolidate many of its 80+ partner firms into a handful of acquisitive "hubs," in the same manner as The Colony Group and Kovitz Investment Group.

The elevated activity among sub-acquirers speaks broadly to the overall health of the RIA M&A landscape. Generally, these acquirers have access to more capital and M&A expertise through their parent companies or partner firms and can provide a wider set of attractive options for potential sellers.

Sub-Acquisitions Start Strong in the First Half of 2024



Conclusion

We anticipate the growing need for succession, the power of scale, and the threat of increasing competition will likely bring more sellers to the market over the next several years. Although there is no shortage of buyers today, when interest rates eventually decline, we expect well-capitalized buyers to become more active. DeVoe & Company expects the convergence of these seller and buyer trends to drive M&A activity through the end of the decade.

Our Methodology and the Focus of the RIA Deal Book™

The DeVoe RIA M&A Deal Book seeks to track and analyze the trends of RIA mergers and acquisitions. Leveraging our founder's experience tracking RIA M&A for 20 years — longer than anyone in the industry — DeVoe & Company reports on activities and analyzes the trends to bring you deeper insight.

The RIA Deal Book's purview is to focus primarily on the acquisitions and mergers of RIAs, and only on transactions of \$100 million or more in AUM. We limit our tracking to \$100MM+ RIAs to optimize the statistical accuracy of our reporting and seek to screen out the SEC-registered hedge funds, independent broker-dealers, mutual fund companies and other companies that aren't operating as traditional RIA firms. We also exclude the "advisors joining RIAs" category unless there are important developments.

Our goal is to provide the RIA community with the very best M&A data on the 5,000+ SEC-registered RIAs so that advisors like you can make more informed strategic decisions.

About DeVoe & Company

DeVoe & Company is a goal-based consulting firm and investment bank focused exclusively on guiding wealth management and investment management companies to a higher level of success. We provide consulting, M&A, and valuation services to help you accelerate the achievement of your business goals. Leveraging our team's 400 years of combined experience in RIA business consulting and management, we develop solutions tailored to your unique goals, needs, and situation. The wealth and investment management industries are highly dynamic and evolving at a fast pace. DeVoe & Company can help you better understand your options, determine your optimal path, and craft an implementable plan for you to capitalize on the opportunities.

What We Do

Our mission is to help you achieve success on an accelerated basis. Our services fall into three major categories:

BUSINESS CONSULTING

M&A GUIDANCE

VALUATIONS

Who We Are

Founded and led by RIA thought-leader David DeVoe, our team has grown to over 20 professionals with 400 years of combined experience. Our consulting approach is a reflection of the team's background: An ideal balance of analytically rigorous theory and real-world experience. Our team includes a McKinsey-trained management consultant and several former CEOs/COOs of \$1B to \$200B RIAs. As a result, we are positioned like no other consulting firm to provide you advice on any strategic challenge you may face. Our breadth of experience enables us to be your complete partner.

How We Do It

DeVoe & Company creates transformational change for our clients through a unique, highly focused approach. Most engagements begin with our proprietary strategic planning process: StrategicContext™. During the StrategicContext™ stage we gain a detailed understanding of your business, professional, and personal goals. Through this methodical approach a strategic "North Star" for the engagement emerges. This North Star provides the management team with a consistent point of alignment for the myriad decisions throughout the process. As a result, the outcome will be deeply rooted in the company's core goals and integrated into a cohesive plan.

DeVoe & Company executed more than 700 engagements in the last several years, supporting firms managing \$100MM to over \$250B in AUM

Our Insights

We regularly publish white papers, are quoted in financial publications and create other thought leadership pieces that we make available on our website at www.devoeandcompany.com.

A few of our most recent articles / white papers include:

- *The Heart of the Deal: Understanding and Overcoming the Emotional Barriers of Selling Your RIA*
- *It's Time for a Human Capital Revolution*
- *DeVoe RIA M&A Outlook Study*
- *Succession Planning: Planning Your Future*
- *Putting Strategic Context Around Your Succession Plan*
- *Tailor-Made Successor*
- *True Value: Learn to Focus on the Things that Drive Up the Value of Your Practice*

Engaging DeVoe & Company

For more information or to engage our services, call us at 415.813.5066 or send an email to info@devoe-co.com.

Capital Group's commitment to the RIA industry



Business management

We recognize the challenges facing RIAs. We stand ready to assist you with our wealth strategy solutions, benchmarking and elite engagement services.



Investment management

From due-diligence consultations to portfolio analysis to the latest market insights – we can equip you with information and solutions to help meet your clients' financial goals.



Client communications

Leverage our proprietary research on clients' attitudes and preferences. We have insights, tools and specialists to help improve your client relationships.



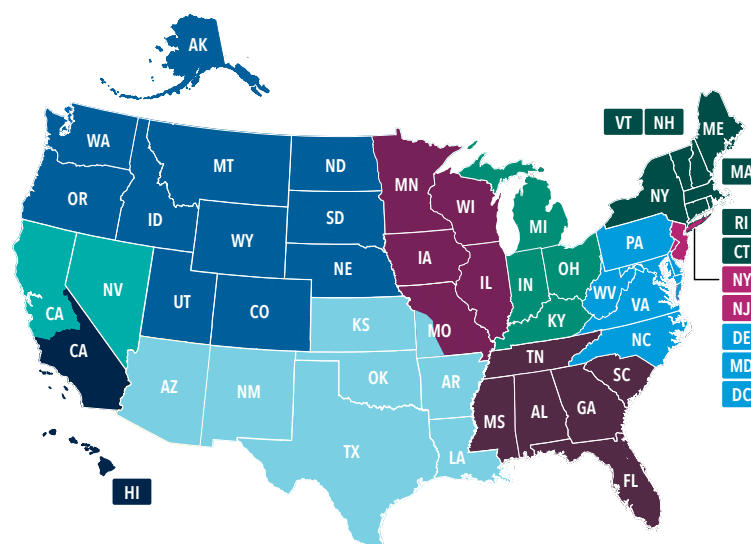
An online community exclusively for RIAs – RIAInsider.com

Enjoy curated insights and a community of peers and thought leaders. Access specialized tools relevant to RIAs, including advisor management platform Truelytics. And boost your brand with Marketing Lab, Capital Group's client-ready publishing tool.

A dedicated RIA team to collaborate with your practice

Contact your relationship manager or specialist directly, or call our RIA support line at (800) 421-5450.

| REGION | RELATIONSHIP MANAGER | RELATIONSHIP SPECIALIST | REGIONAL RELATIONSHIP MANAGER |
|---------------------|-----------------------------------|--|------------------------------------|
| Southwest | Tyler Furek (213) 509-6410 | Holden Dippel (800) 833-2732 | Hayden Fleming (866) 420-2026 |
| Northern California | Brandon Ma (415) 260-7163 | Jake Keehn (866) 471-2696 | Susanna Chan (866) 420-2027 |
| Northwest | Ryan Radtke (206) 446-8688 | Jake Keehn (866) 471-2696 | Ben Wooden (866) 818-4125 |
| South | Robert Peché (832) 289-1673 | Holdel Dippel (800) 833-2732 | Ben Wooden (866) 818-4125 |
| North Central | David Morrison (309) 370-7281 | Kirsten Bayer-Petras (866) 960-7283 | Ryan Hoover (800) 421-9907 |
| Southeast | Marek Blaskovic (949) 266-7532 | Vabo Patel (800) 421-8297 | Natalie Wright (800) 421-7020 |
| Great Lakes | Kristen Nelson (317) 646-2444 | Kirsten Bayer-Petras (866) 960-7283 | Ryan Hoover (800) 421-9907 |
| Northeast | Damian Carroll (860) 573-8064 | Troy Tipton (800) 421-9546 | Joel VanDerWeele (317) 706-5362 |
| Mid-Atlantic | Antonio Bass (202) 322-9170 | Vabo Patel (800) 421-8297 | Natalie Wright (800) 421-7020 |
| Tri-State | Alex Diorio (516) 242-6376 | Troy Tipton (800) 421-9546 | Joel VanDerWeele (317) 706-5362 |



All Capital Group trademarks mentioned are owned by The Capital Group Companies, Inc., an affiliated company or fund. All other company and product names mentioned are the property of their respective companies.