



2024
**ADVISOR
SUMMIT**

Jan 23-25 • Houston, TX





Growing through Mergers and Acquisitions

Hosted by: Paul Larson & Mitch Wood





3 Reasons to Consider M&A

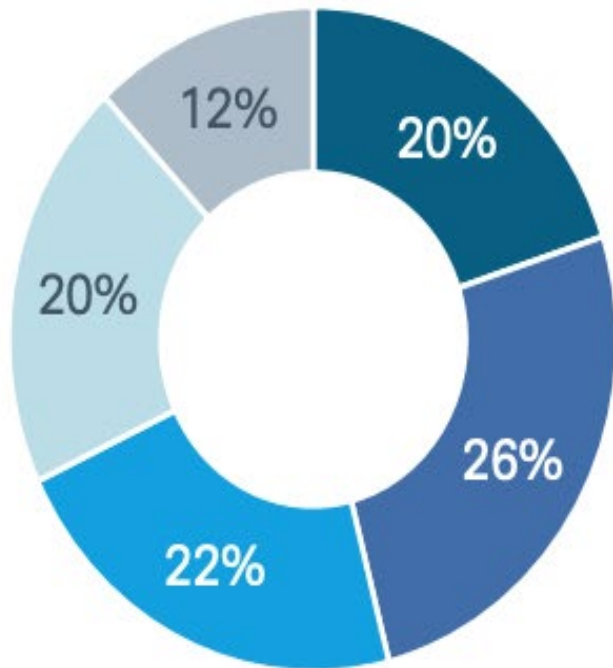
1. Organic Growth is limited to 6% year on average
2. Advisors need a platform to scale
3. Good Return on Investment





What can we learn from demographics?

Generational diversity across all roles



46% of employees **under 40**
22% of employees **40 to 49**
32% of employees **50 and older**





What are Advisors focused on?

Top strategic initiatives	2023	Rank 2022	2021
Acquire new clients through client referrals	1	2	1
Recruit staff to increase firm's skill set/capacity	2	1	2
Acquire new clients through business referrals	3	3	4
Enhance strategic planning and execution	4	4	3
Improve productivity using process changes	5	5	7
Develop skills and capabilities of staff	6	8	10

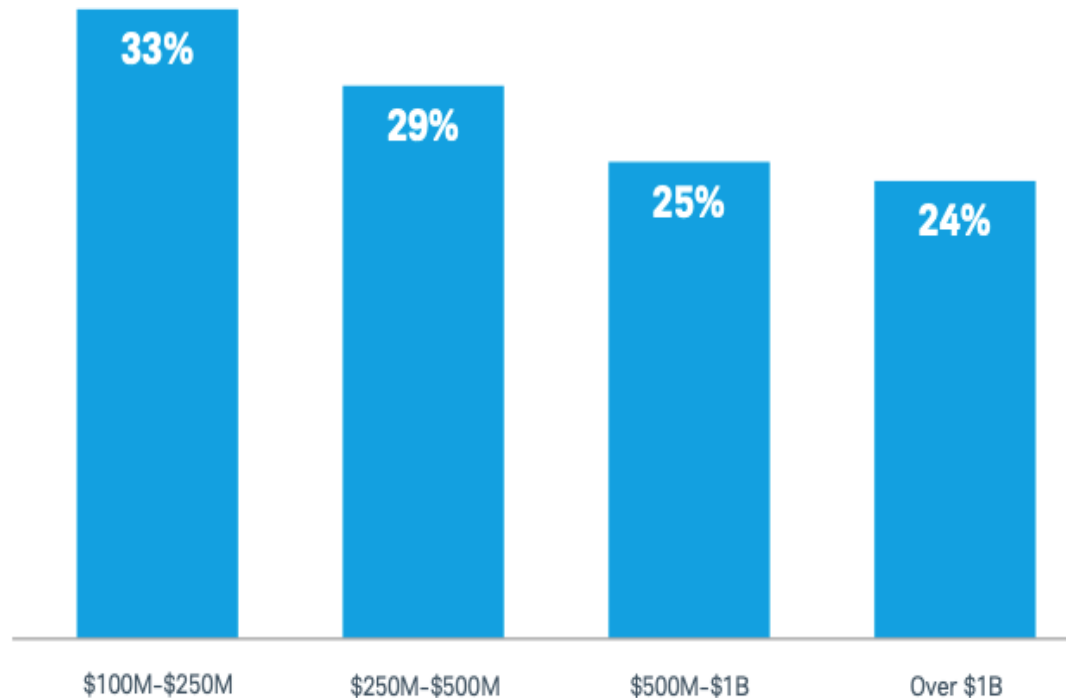




How can Equity incentivize?

Equity is a key currency firms are using to help retain talent and support their succession strategies.

Working owners¹ as a percent of total staff (by firm size)



At the median firm,
1 in 3 staff
are equity owners



How do I run a proforma?

- Begin with the Profit and Loss of a business
- What is the revenue?
 - One-time (Will only happen one-time)
 - Reoccurring (Happens frequently)
 - Recurring (Will happen automatically)





How do I run a proforma?

- Begin with the Profit and Loss of a business
- What are the expenses?
 - Remove personal owner expenses (car, cell phone, etc.)
 - What needs to be trimmed? (Personnel, unused software, subscriptions)
 - What can be done more efficiently? (Group pricing)





How do I value a practice?

Gross Revenue

is the total income of the business

EBITDA

is the total profit of the company,
excluding interest and taxes.

The underlying question is how long to get an ROI?

Target is around 20% EBITDA





How do I value a practice?

Understanding the critical factors:

1) Types of Income

- One-Time (<1x)
- Reoccurring (1-3x)
- Recurring (+3x)





How do I value a practice?

Understanding the critical factors:

2) Age of the Clients

- How long are the clients likely to stay with the firm after acquisition?
- Rollover of assets from Gen 1 to Gen 2 is not guaranteed





How do I value a practice?

Understanding the critical factors:

3) Asset Mix of Client Investments

- Liquid vs. Illiquid investments
- Share Class of funds
- Organization of accounts by Models





How do I value a practice?

Understanding the critical factors:

4) Structure of Agreements

- Negative vs. Positive Consent
- Contracts in place
- Assets vs. Stock purchase





What are the additional Opportunities?

- Ask yourself, are you buying the business **as it is** or **as it can be**?
- **What is the purpose of the acquisition?**
 - R&D?
 - Talent?
 - Cash flow?
 - Enterprise Value?
 - Cross Profitability?





What's the structure and process?



Length of
time to
payout



Purchase
Price





What's the structure and process?

Managing Risk

- A greater payout requires greater assurances
 - Holdbacks
 - Less Money Down, More over time
- Time-Value of Money





Understanding the Pitfalls of M&A

Know what you are buying

- Biggest issues is not truly understanding the business that you are buying
- Who is on the team?
- Overly rosy assumptions on revenue and expenses





Next steps if I want to buy a practice?

- Hire an investment banker.
- Talk to other Advisors at conferences.
- Get plugged in to forums





Our Mutual Interests

- Finders Fees
 - Like your clients, our best leads come from relationships
 - 2% of Overall Deal Cost
- Joint Purchases
 - LFH has a debt facility designed to purchase books of businesses like yours. We can structure an acquisition as a joint purchase so that if you want to buy a book of business, we can help finance it with shared ownership





Next Session starts at 1:30p

"Case Study Best Practices"
Hosted by: Colin Wiens





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