Poll: Wealth Firms Deserve Conservative Valuations

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More than three-quarters of *FUNDfire* poll participants said small and mid-size wealth management firms for sale deserve to be valued conservatively.

An estimated 62 voters, about 39%, said a multiple of eight to 10 times EBITDA is a fair valuation for a wealth boutique with $1 billion to $10 billion in assets under management. Meanwhile, 58 voters, or 37%, believe a multiple of five to seven times EBITDA is fair.

Together, the combined results – on the conservative end of the five-option survey – amounted to 76% of the vote. An estimated 4% expect a $1 billion to $10 billion wealth management firm could justifiably command more than 16 times EBITDA. An identical percentage said 14 to 16 times EBITDA is a fair valuation.

M&A experts, however, caution about taking a one-size-fits-all approach toward valuing wealth management boutiques. **Daniel Seivert**, CEO and managing partner of investment bank and consultancy Echelon Partners[1], says if one were to review a privately-held wealth management firm with historic and projected growth, along with profit margins of around 25%, they would arrive with an evaluation of 13 times EBITDA. He anticipates that a publicly-traded wealth management firm with such qualities could command 17 times EBITDA.

"Private M&A multiples for wealth managers range from four to 24 times EBITDA at the far extremes with a tighter band of eight to 12 times EBITDA, where likely the vast majority of deals are done, assuming average growth and average margins," says Seivert, who addresses the issue in further detail in the **Seivert Report**.

The poll generated 158 votes as of 3 p.m. Tuesday. The survey serves as an unscientific sampling of *FUNDfire* readers, including money managers, investment consultants, financial advisors and service providers. Individuals were only able to vote once and were self-selected.

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Daniel Seivert

Managing Director

dseivert@echelon-group.com