

News Release

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RIA MERGER AND ACQUISITION DEALS PICK UP PACE AND SIZE ACCORDING TO LATEST DATA FROM SCHWAB ADVISOR SERVICES

First half 2015 saw total deal value rise for the second consecutive year, while average deal size is the largest since 2009

SAN FRANCISCO, September 2, 2015 – At a time when independent registered investment advisor (RIA) firms' revenue and profitability are reaching new highs¹, the industry is seeing an uptick in merger and acquisition (M&A) activity, based on the number of deals as well as the average deal size. According to the latest data compiled by [Schwab Advisor Services](#), total and average deal size rose during the first six months of 2015 indicating that the industry has both the financial means and the appetite to make strategic moves in order to achieve scale and gain competitive strength.

The first half of 2015 closed with 37 completed transactions, up from 29 over the same period in 2014, according to the data. Total transaction value increased 53 percent to \$49.8 billion in assets under management (AUM), a jump from \$32.6 billion in the first half of 2014. Meanwhile, average deal size reached \$1.3 billion in AUM, marking the highest average deal value since 2009, when the average transaction size for the entire year was \$1.7 billion in AUM.

“The success of the RIA industry, buoyed by the impact of a six-year bull market, has helped increase valuations and put RIA firms in a place of competitive strength where they are well-positioned to invest in growth,” said [Jonathan Beatty](#), senior vice president, sales and relationship management, Schwab Advisor Services. “As the investor landscape evolves, firm leaders are making strategic decisions about how to keep pace with the needs of their clients and thrive over the long term. Many firms report that they have doubled their valuations over the past five years, according to our 2015 Benchmarking Study. Some firms are leveraging that strength by choosing growth via merger or acquisition to achieve scale, enhance or fill gaps in capabilities, grow their client base, or to add talent and technology proficiencies.”

The types of buyers involved in deals during the first half of 2015 remained consistent with previous periods, with strategic acquiring firms (SAF) and RIAs accounting for the buyer in 79 percent of all deals. Forty-three percent of transactions were led by SAFs and 38 percent were closed by RIAs.

Results from Schwab's 2015 Benchmarking Study indicate that independent RIA firms have experienced five consecutive years of strong performance. Nearly half (42%) of firms have doubled their revenues and half have increased their AUM by 75 percent since 2009. Investor demand was a significant contributor to growth last year, with top-performing firms seeing an increase in new clients by 10 percent or more and increasing their share of wallet with existing clients by 4 percent. As firms continue expanding their footprints and looking for growth, M&A will continue to be an important consideration.

“Although we've seen an uptick in activity this year, we don't necessarily see an indication that firms are viewing M&A as a preferred means to achieve scale,” said Beatty. “Certainly for some firms it makes strategic sense and

¹ Schwab 2015 Benchmarking Study

current conditions make this a good time to act. But many firms are continuing to follow a multi-faceted client growth strategy, by winning new clients and continuing to earn the trust of existing clients, thereby increasing share of wallet. M&A continues to be part of a broad set of growth strategies advisors have to consider alongside such industry best practices as creating operational efficiency and attracting and retaining top talent.”

Schwab Advisor Services reports the findings of its RIA industry M&A research twice yearly (a mid-year and year-end report) as part of a commitment to provide advisors with an overview of trends in the RIA space and help inform their decisions when evaluating M&A opportunities. Schwab Advisor Services also offers consulting solutions to help firms determine their transition options, build a strategic plan to achieve business growth objectives and implement strategies to help firms build scale.

About Schwab’s RIA Industry M&A Research Methodology

Schwab’s M&A research data is compiled and analyzed by Schwab Advisor Services. Schwab’s data reflects transactions involving primarily high net worth and endowment focused RIAs with assets under management exceeding \$50 million. The data also includes advisors-in-transition who joined an existing RIA and received equity consideration. Schwab does not intend to track all financial-services industry deals or all industry deal types across all channels and the data is not intended to reflect the global landscape of industry transactions or transaction types.

Independent investment advisors are not owned by, affiliated with or supervised by Schwab.

About Schwab Advisor Transition Services™

[Schwab Advisor Transition Services](#) helps advisors think through growing and exiting a business at the right time, with the right people and at the right value. This includes goal setting, evaluating options (internal succession, external sale, and merger or acquisition) and executing a transition plan. Schwab’s Transition Services includes Schwab’s [M&A Listing Service](#), a national online database offered to independent registered investment advisors that custody with Schwab Advisor Services that connects independent investment advisors with firms interested in acquiring or selling their firm, or merging with another firm, and enables advisors to maintain anonymity while soliciting interest and collecting information from other advisor firms. Buyers also can search for investment professionals with books of business who would like to join an RIA firm. Additional information and new transitions content are available at www.SchwabTransition.com.

About the 2015 RIA Benchmarking Study

The 2015 RIA Benchmarking Study from Charles Schwab, fielded January to March, 2015, contains self-reported data from 1,007 firms that custody their assets with Schwab and represent nearly three-quarters of a trillion dollars in AUM, making this the leading study of its kind in the RIA industry.

Schwab designed the Study to capture insights on the RIA industry, based on survey responses from individual firms. Since the inception of the Study in 2006, more than 3,000 firms have participated, with many repeat participants. The 2015 Study provides information on topics such as asset and revenue growth, sources of new clients, products and pricing, staffing, compensation, marketing, technology, and financial performance.

Schwab does not independently verify the self-reported information. Participant firms represent various sizes and business models. They are categorized into 12 peer groups— seven wealth manager groups and five money manager groups, by AUM size. Unless otherwise noted, Study results are for all firms with \$250 million or more in AUM, representing the vast majority of total assets managed by this year’s participants.

The Study is part of Schwab’s Business Consulting Services, a practice management offering for RIAs. Grounded in the best practices of leading independent advisory firms, Business Consulting Services provides insight, guidance, tools, and resources to help advisors strategically manage and grow their firms.

About Charles Schwab

At Charles Schwab we believe in the power of investing to help individuals create a better tomorrow. We have a history of challenging the status quo in our industry, innovating in ways that benefit investors and the advisors and employers who serve them, and championing our clients’ goals with passion and integrity.

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