



EXECUTIVE BRIEFING

How RIAs Are Valued

— and What Creates a Premium

An analysis of the qualitative and financial drivers that separate premium valuations from average outcomes in the registered investment adviser M&A market.

KEY TAKEAWAYS

- **Growth quality outweighs growth alone.** Buyers distinguish market appreciation from true organic growth, and reward net new assets that are distributed across the firm rather than concentrated in a founder.
- **Margins must be sustainable, not just high.** Buyers normalize compensation and look for operating leverage — revenue expanding faster than overhead — rather than an unusually high margin that may signal underinvestment.
- **Revenue composition drives durability.** Fee-based, diversified, low-concentration revenue is valued well above transactional or advisor-concentrated revenue streams.
- **Client demographics shape future value.** Average age, account size, generational mix, and the strength of heir relationships all influence a buyer's view of retention risk.
- **Management depth reduces key-person risk.** A credible second-generation leadership team materially lowers transition risk and creates flexibility for the buyer post-close.
- **Confidence, not size, defines the premium.** The most valuable firms are those a buyer believes will keep growing, retain clients and staff, and operate successfully beyond the founder.

PREPARED BY NESVOLD CAPITAL PARTNERS

September 2026 | Strictly Private & Confidential

ABOUT NESVOLD CAPITAL PARTNERS

Nesvold Capital Partners (NCP) is a preeminent merchant bank specializing in wealth management and its broader ecosystem. As one of the sector's most exclusive M&A advisory boutiques, the firm avoids overlapping engagements with competing firms and focuses its sell-side processes on a select group of pre-vetted, highly qualified buyers. NCP delivers CEO-level advisory services to firms experiencing exponential growth or navigating transformative events — including mergers, acquisitions, recapitalizations, organic growth strategies, and partner liquidity or succession planning — and also makes supportive, non-control investments in innovative financial services firms led by exceptional management teams. Over the course of their careers, NCP's principals have advised, or invested in, firms managing over **\$1 trillion** of client assets.

OUR TEAM



H. Peter Nesvold

JD, CFA, CPA

MANAGING PARTNER

Peter is a seasoned finance executive with a rare blend of legal, financial, and strategic expertise, holding credentials as a lawyer, CPA, and CFA charterholder. With over 25 years of experience on Wall Street, he has built a distinguished career in asset and wealth management, earning recognition as one of the top five most impactful M&A bankers in the industry. Peter advises CEOs, fiduciary boards, and senior leaders on complex M&A transactions, succession planning, compensation and equity strategies, brand building, and recruitment.

Previously, Peter was a partner and Chief Strategy Officer at Silver Lane Advisors, where he played a pivotal role in scaling the firm from startup to a top-ranked M&A advisor in wealth management, culminating in its sale to a Fortune 500 company. Prior to Silver Lane, he was a Senior Managing Director at Bear Stearns and a “five-star” portfolio manager at Lazard Asset Management.

Beyond his professional achievements, Peter is an Adjunct Professor at the Gabelli School of Business at Fordham University, an accomplished author of four books on M&A with McGraw-Hill, and an active member of multiple fiduciary and advisory boards. He holds degrees from the University of Pennsylvania and Fordham Law, and previously was a dedicated long-distance runner, having completed 19 full marathons.



Ruotao Wang

JD, CFA

DIRECTOR

Ruotao Wang is a Director at Nesvold Capital Partners, where he advises on mergers, acquisitions, and capital raises and serves as a key member of the firm's principal investment team. Prior to NCP, he was a Vice President in the Financial Services Investment Banking Group at Raymond James, where his main area of focus is asset and wealth management.

Ruotao holds the Chartered Financial Analyst® designation and has a bachelor's degree with highest distinction from the University of Michigan, and a juris doctor from Harvard Law School.

HOW RIAs ARE VALUED

AND WHAT CREATES A PREMIUM

EXECUTIVE SUMMARY

Valuing a registered investment adviser is deceptively simple: most participants speak in terms of a revenue or earnings multiple, but the multiple is only the output. The real analysis lies in assessing the quality, durability, and transferability of the underlying business — the factors that determine a buyer's confidence that performance will continue after closing.

Firms that command the greatest premiums are not simply the largest or most profitable — they are the firms whose future appears most durable, and whose success is least dependent on the people selling them.

The Seven Drivers of Premium Valuation



TWO FIRMS, TWO VERY DIFFERENT OUTCOMES

Two RIAs with similar revenue and assets under management can command dramatically different valuations. One may be a highly scalable enterprise with recurring revenue, strong organic growth, institutional management, and limited dependence on its founder. The other may be a collection of client relationships centered around a single rainmaker, with aging clients, inconsistent growth, and little organizational depth.

The difference between those firms is not captured by size alone. It is reflected in the confidence a buyer has that the business will continue to perform after the transaction closes.

GROWTH MATTERS, BUT ITS QUALITY MATTERS MORE

Growth is one of the most important drivers of RIA valuation. Buyers generally pay more for firms that are expanding because growth increases the likelihood that future earnings will exceed current results. However, not all growth is equal.

In a rising market, an RIA's assets and revenue may increase even if it adds few new clients or new assets. Buyers therefore distinguish between market appreciation and true organic growth. The most valuable firms consistently generate net new assets through referrals, business development, advisor recruiting, strategic partnerships, or other repeatable channels.

A buyer will also examine whether growth is concentrated among one or two advisors or distributed across the organization. Growth that depends entirely on the founder is less transferable than growth generated by an established institutional process.

Consistency is equally important. A firm that has grown at a measured pace over several years may receive more credit than one that experienced a single extraordinary year. Buyers want evidence that growth is repeatable, not accidental.

MARGINS REFLECT BOTH PROFITABILITY AND SCALABILITY

Profitability is another central component of valuation. For larger and more institutionalized RIAs, buyers often focus on adjusted earnings before interest, taxes, depreciation, and amortization, or EBITDA.

Higher margins generally support higher valuations because they indicate that more revenue converts into cash flow. Yet buyers do not evaluate margins in isolation. An unusually high margin may indicate an efficient business, but it may also suggest that the firm has underinvested in technology, compliance, management, or business development. Conversely, a lower margin may be acceptable if the firm is investing heavily in growth and has a credible path to greater profitability.

The best firms demonstrate both current profitability and operating leverage. As they grow, revenue expands faster than overhead. Centralized technology, investment management, compliance, marketing, and operations allow additional advisors or clients to be supported without a proportionate increase in cost.

Buyers will also normalize compensation. Founder compensation, related-party expenses, discretionary spending, and below-market salaries may all distort reported earnings. Valuation is usually based on the sustainable profitability of the business under a normalized ownership structure.

REVENUE QUALITY IS MORE IMPORTANT THAN HEADLINE REVENUE

RIA revenue is attractive because it is predominantly recurring. Even so, buyers carefully assess the composition and durability of that revenue. Fee-based advisory revenue is generally more valuable than transactional, commission-based, or project-oriented revenue. Buyers also examine fee schedules, billing practices, service requirements, and the extent to which clients may be paying above- or below-market rates.

Client concentration can materially affect value. A firm with \$10 million of revenue generated across hundreds of relationships is generally less risky than one in which a small number of families account for a substantial percentage of revenue.

The same principle applies to advisor concentration. If one advisor controls most of the firm's largest relationships, the business may be less transferable, particularly if that advisor is approaching retirement or is not committed to remaining after closing.

Buyers also consider the portability of client relationships. Client contracts may technically belong to the firm, but in wealth management, the relationship often resides with the individual advisor. The stronger the institutional connection between the client and the broader firm, the lower the perceived retention risk.

CLIENT DEMOGRAPHICS CAN INCREASE — OR REDUCE — VALUE

A firm's client base is a major determinant of future revenue durability. Buyers evaluate the average client age, account size, asset mix, withdrawal patterns, and concentration of assets across generations. A client base composed primarily of elderly investors drawing down assets may receive a lower valuation than one with a broader mix of executives, entrepreneurs, multigenerational families, and next-generation beneficiaries.

The strength of heir relationships is increasingly important. Wealth transfer can create both opportunity and risk. Firms that have developed relationships with spouses, children, trustees, and family decision-makers are better positioned to retain assets when wealth changes hands.

Average client size also influences value, although bigger is not always better. Ultra-high-net-worth relationships may generate attractive revenue, but they can also be concentrated, service-intensive, and highly dependent on particular advisors. A diversified base of profitable relationships may produce more predictable economics.

Buyers want clients who are loyal, profitable, and likely to remain with the firm through market cycles and leadership transitions.

MANAGEMENT DEPTH REDUCES KEY-PERSON RISK

One of the clearest distinctions between an advisory practice and an advisory enterprise is management depth. A practice may generate substantial revenue but remain dependent on one founder for client relationships, investment decisions, personnel management, and strategic direction. An enterprise has a leadership team, defined responsibilities, repeatable processes, and the ability to function without the founder's daily involvement.

Buyers pay premiums for organizations with credible second-generation leadership. A capable president, chief operating officer, investment leader, compliance function, and group of client-facing advisors can materially reduce transition risk.

Management depth also creates flexibility. It allows a buyer to retain the firm as a distinct operating company, integrate it into a larger platform, or use it as a foundation for future acquisitions.

A founder who has successfully delegated authority before beginning a transaction will generally create more value than one who promises to delegate after closing.

SCALE CREATES ADVANTAGES, BUT ONLY WHEN IT IS PRODUCTIVE

Scale can support higher valuations by creating brand recognition, recruiting strength, purchasing power, management resources, and operating leverage. Larger firms may also be more attractive to institutional buyers because they can make a meaningful financial contribution immediately.

However, scale does not automatically create quality. A large firm assembled through acquisitions may suffer from inconsistent technology, fragmented branding, weak integration, and conflicting compensation systems.

Buyers therefore distinguish between productive scale and accumulated scale. Productive scale produces stronger margins, broader capabilities, better career opportunities, and a more consistent client experience. Accumulated scale may simply create complexity. The highest-valued firms use scale to improve the business rather than merely enlarge it.

MARKET CONDITIONS SHAPE THE MULTIPLE

Even a high-quality RIA is affected by external market conditions. Interest rates influence borrowing costs and the amount of leverage buyers can use. Public-market valuations affect the value of buyer stock and the confidence investors place in acquisition-driven models. Equity market performance can increase or reduce advisory revenue. The availability of private capital can expand or contract the universe of bidders.

When financing is readily available and buyer competition is intense, valuation multiples tend to rise. When markets are volatile, credit is constrained, or public consolidators trade at lower multiples, buyers become more selective.

Market conditions may determine the prevailing range of valuations, but firm quality usually determines where an individual RIA falls within that range.

THE PREMIUM IS ULTIMATELY ABOUT CONFIDENCE

A premium valuation reflects more than financial performance. It reflects confidence. Buyers pay more when they believe revenue will remain, clients will stay, employees will be retained, growth will continue, and the business can operate successfully beyond its founder.

The characteristics that create that confidence are straightforward, even if they are difficult to build: consistent organic growth, sustainable margins, recurring and diversified revenue, favorable client demographics, institutional management, productive scale, and a culture capable of surviving a change in ownership.

For RIA owners, the most effective valuation strategy is not to manufacture a better story immediately before a sale. It is to build a stronger and more transferable business over time.

The firms that command the greatest premiums are not simply the largest or most profitable. They are the firms whose future appears most durable — and whose success is least dependent on the people who are selling them.

This briefing is provided for informational purposes only and does not constitute investment, legal, or tax advice. It should not be relied upon as the basis for any transaction decision. Please contact Nesvold Capital Partners directly to discuss the valuation of a specific business.