

The logo is centered within a white square frame. The text 'Fi360' is white and set against a solid orange background.

Fi360

A Broadridge® Company



Retirement Advisory Firm

M&A Update

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 **WISE RHINO**
GROUP
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Overview

What's Happening

- Rerun
- Consolidation Accelerating
- Why
- Acquisition League Tables
- Update on Key Players

The Impact

- The Walmart Effect
- Aggregator Playbook
- CAPTRUST Case Study
- In-Plan Advice/Wealth Advisory

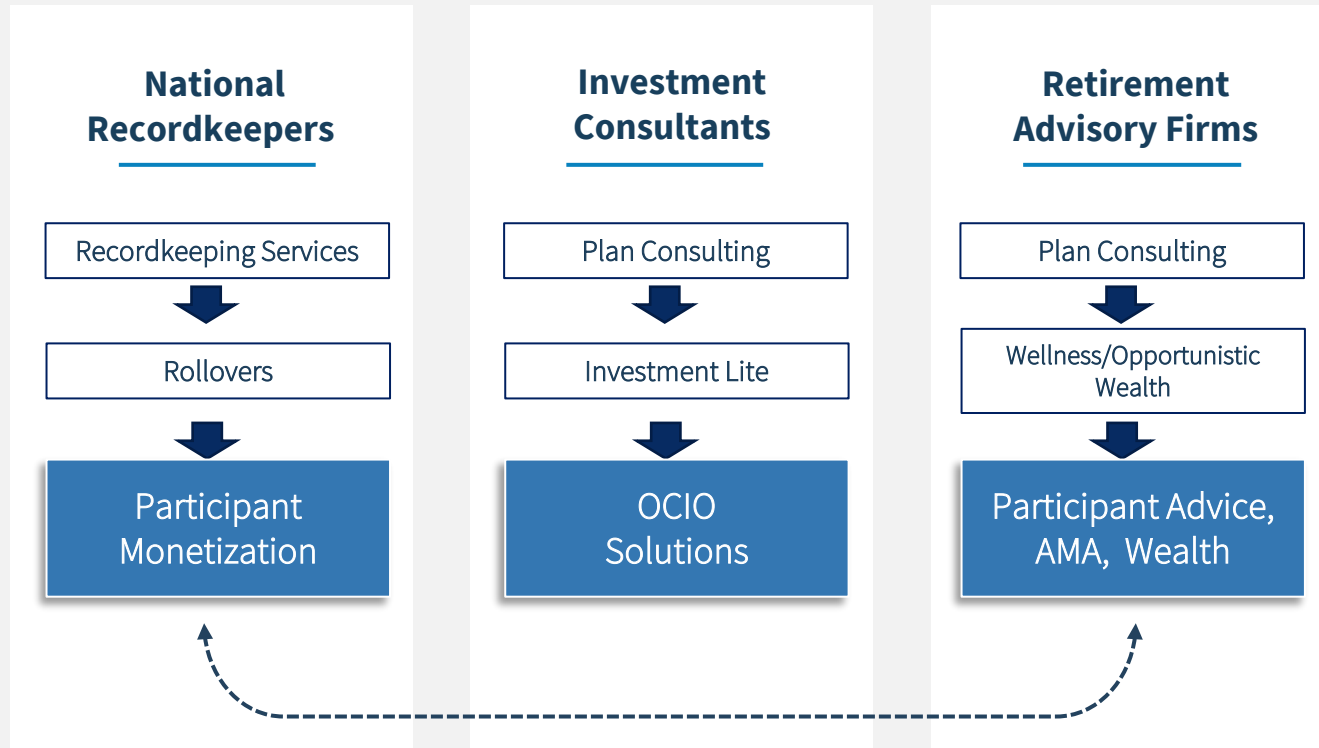
M&A and Your Firm

- Table Stakes
- Multiples
- Deal Structure
- Drivers of Enterprise Value
- Things to Consider Doing Now



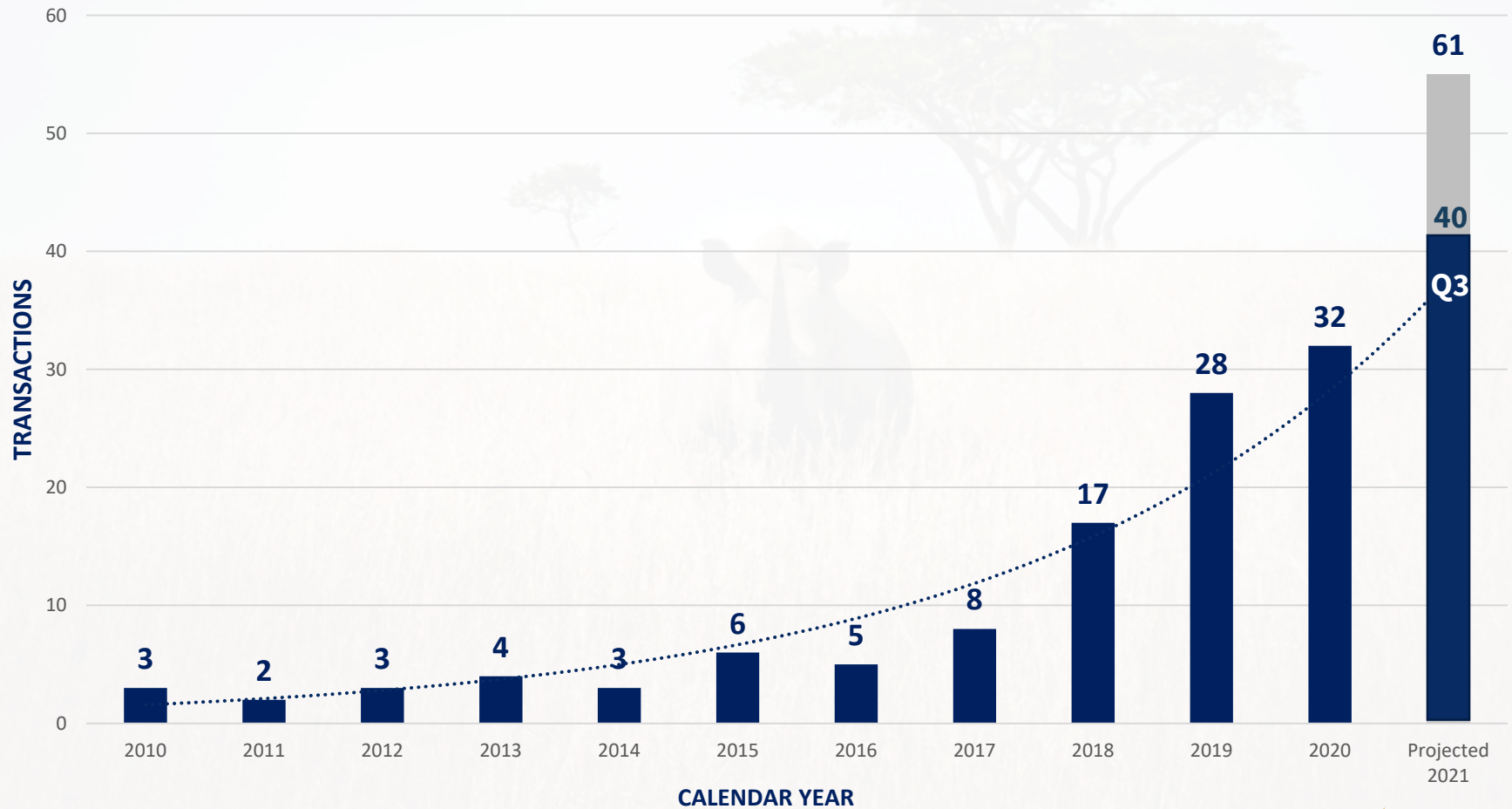
Evolutionary Survival To Survive and Thrive

Considerable Retirement Industry Precedent Where Change Was Required to Drive Revenue



Acquisition Activity Continues To Accelerate

Aggregators Aggressively Building Out Their Regional Teams



Drivers of Increasing Retirement Advisory M&A

- ▶ More and Larger, Well Capitalized, Well Managed Buyers
- ▶ Larger Retirement Advisory Targets
- ▶ Validated Value
- ▶ Focus on Participant Engagement/Monetization
- ▶ Advisory Firm Entrepreneur Demographics
- ▶ Firm Pressures
- ▶ Opportunities



Retirement Advisory Acquisitions League Table

28 Different Buyers With At Least 1 Retirement Firm Acquisition

| Acquirer | Total Acquisitions | Acquirer Type |
|-------------------|--------------------|---------------------|
| CAPTRUST | 50 | RIA Aggregator |
| HUB | 32 | Insurance Brokerage |
| OneDigital | 27 | Insurance Brokerage |
| NFP | 11 | Insurance Brokerage |
| MMA | 7 | Insurance Brokerage |
| Gallagher | 5 | Insurance Brokerage |
| SageView | 5 | RIA Aggregator |
| CBIZ | 3 | Business Services |
| Assured Partners | 3 | Insurance Brokerage |
| Cerity Partners | 2 | RIA Aggregator |
| DB Root (Dynasty) | 2 | RIA Aggregator |
| Focus Financial | 2 | Wealth Aggregator |
| Prime Capital | 2 | RIA Aggregator |



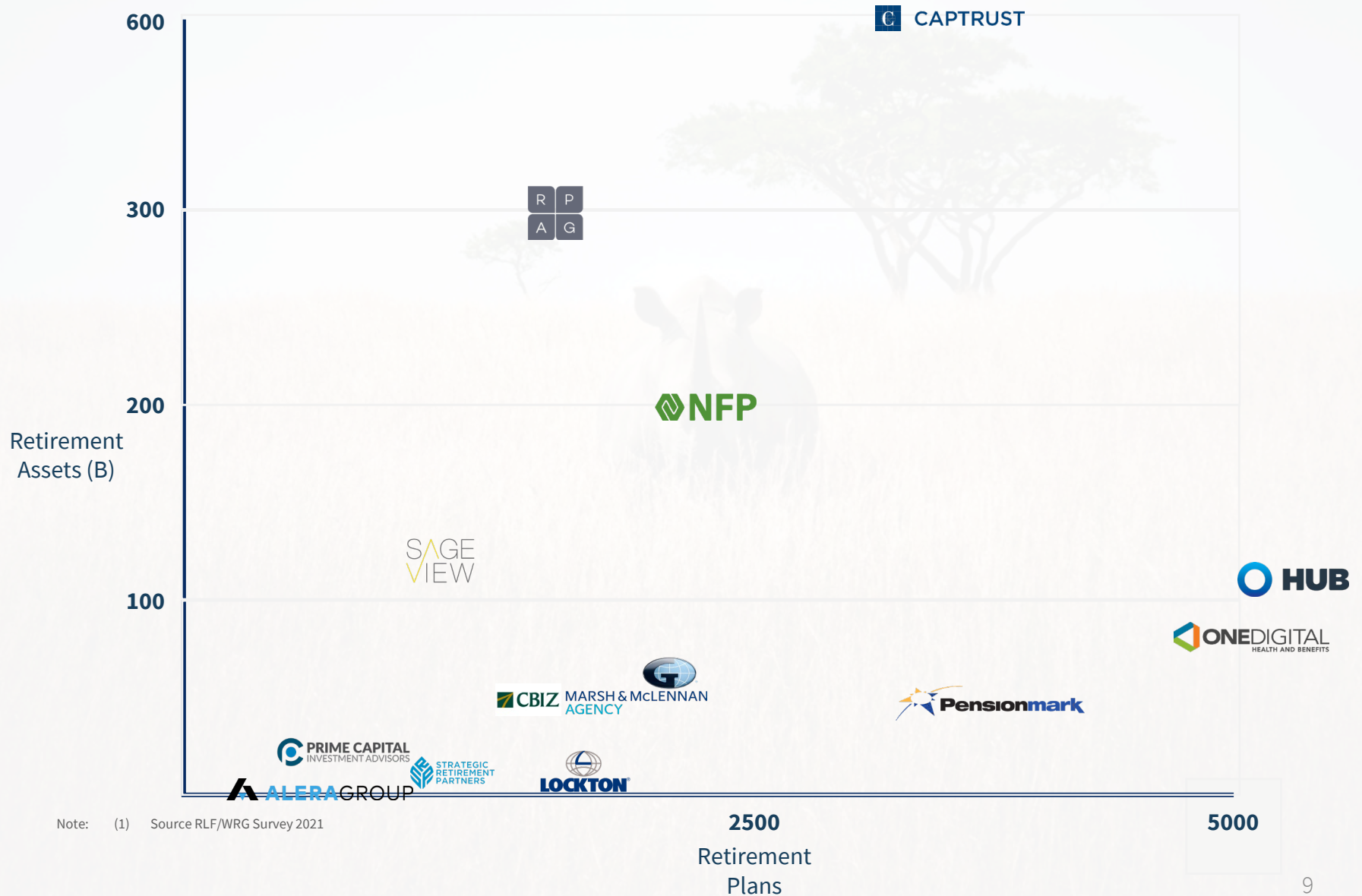
Retirement & Wealth Acquirers

Demand At Historical High From Multiple Segments

| RIA AGGREGATORS | | INSURANCE BROKERAGE STRATEGIC | | INSURANCE BROK. OPPORTUNISTIC | | INSURANCE BROKERAGE REGIONAL | |
|--|--------|---|--------|---|-------|--|--|
| Branded Strategic Acquirers with Retirement and Wealth Focus | | Branded Strategic Acquirers with P&C and Benefits Primary Focus | | Branded Opportunistic Acquirers with P&C and Benefits Focus | | Regional P&C and Benefits Firm Acquirers | |
| Firm | AUA | Firm | AUA | Firm | AUA | Firm | |
| CAPTRUST | \$600b | NFP | \$210b | USI | \$23b | Heffernan | |
| SageView | \$128b | Lockton | \$92b | Alliant | \$12b | MJ Insurance | |
| Prime Capital | \$60b | HUB | \$95b | Alera Group | \$5b | Shepherd Insurance | |
| Cerity Partners | \$28b | MMA | \$57b | Assured Partners | \$4b | Woodruff Sawyer | |
| | | OneDigital | \$55b | Baldwin Risk | \$3b | Oswald | |
| | | Gallagher | \$47b | Broadstreet EPIC | \$2b | | |
| | | CBIZ | \$41b | | | | |
| Total | \$816b | Total | \$599b | Total | \$49b | | |

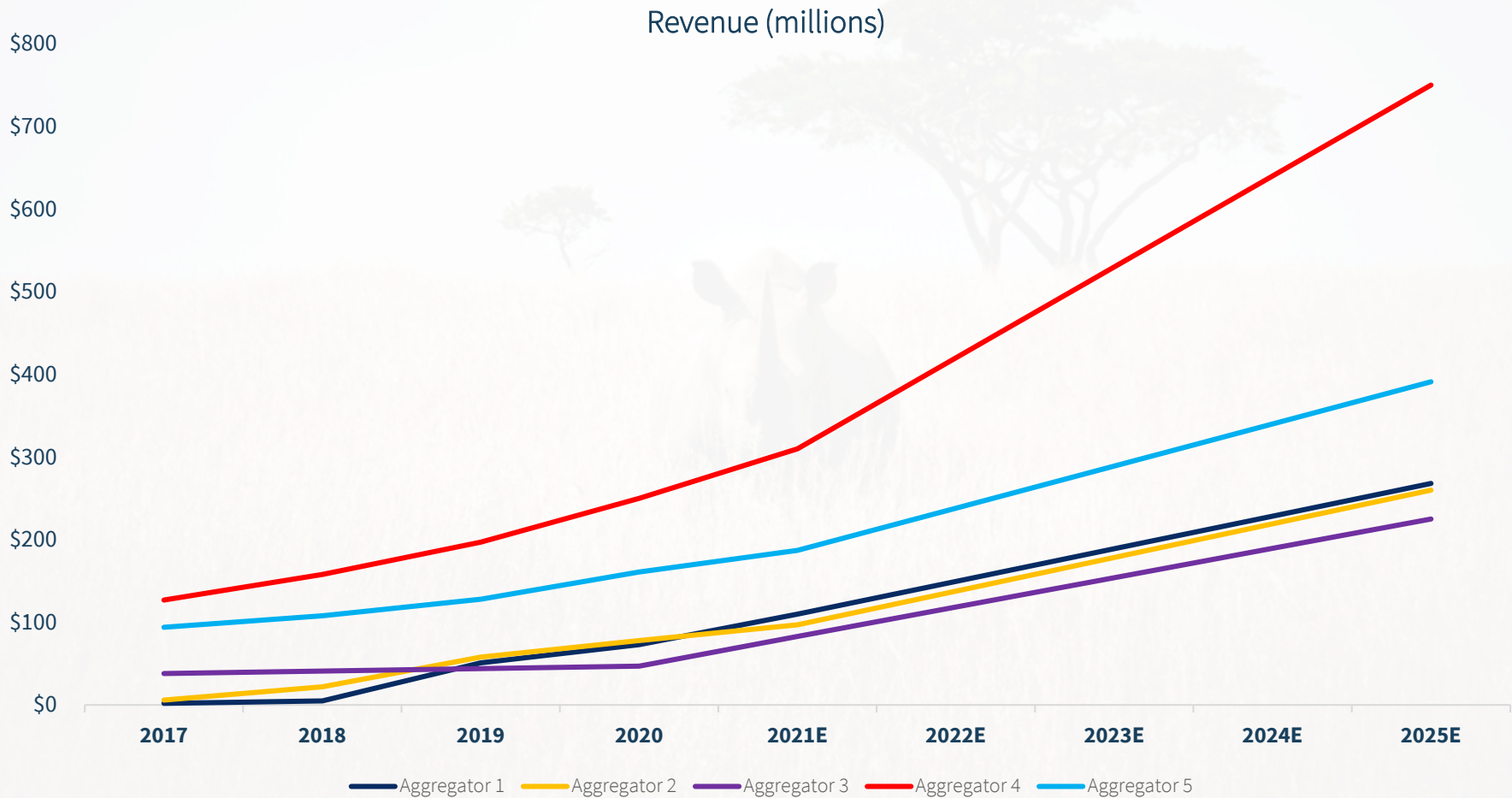
| AFFILIATE PLATFORMS | | WEALTH AGGREGATORS | | PRIVATE EQUITY | | OTHER FIRMS | |
|--|--------|--|--------|---|--------|-------------------------------|--|
| Affiliated tools, services and intellectual capital with some potential acquisitions | | Strategic Wealth platforms and acquirers | | Private Equity with focus and interest in retirement & Wealth | | Miscellaneous Other Acquirers | |
| Firm | AUA | Firm | AUA | Firm | | Firm | |
| RPAG | \$300b | Focus Financial | \$95b | Aquiline Capital Partners | | Edelman Financial Engines | |
| GRPF | \$52b | Hightower | \$55b | GTCR | | PNC Bank | |
| Pensionmark | \$41b | Blue Spring Partners | \$12b | Parthenon | | EdgeCo Holdings | |
| Resources | \$45b | Dynasty Financial Partners | \$25b | Lightyear Capital | | Fiducient | |
| SRP | \$15b | Mariner | \$22b | TowerBrook | | | |
| VisionPoint | \$ 15b | Cetera | \$20b | Abrey | | | |
| Intellicents | \$ 12b | | | Warburg Pincus | | | |
| Total | \$482b | Total | \$295b | Total | \$229b | | |

Aggregator AUA and Retirement Plans



Aggregator Revenue Growth is Creating Separation

Scale Advantage in Price and Capabilities



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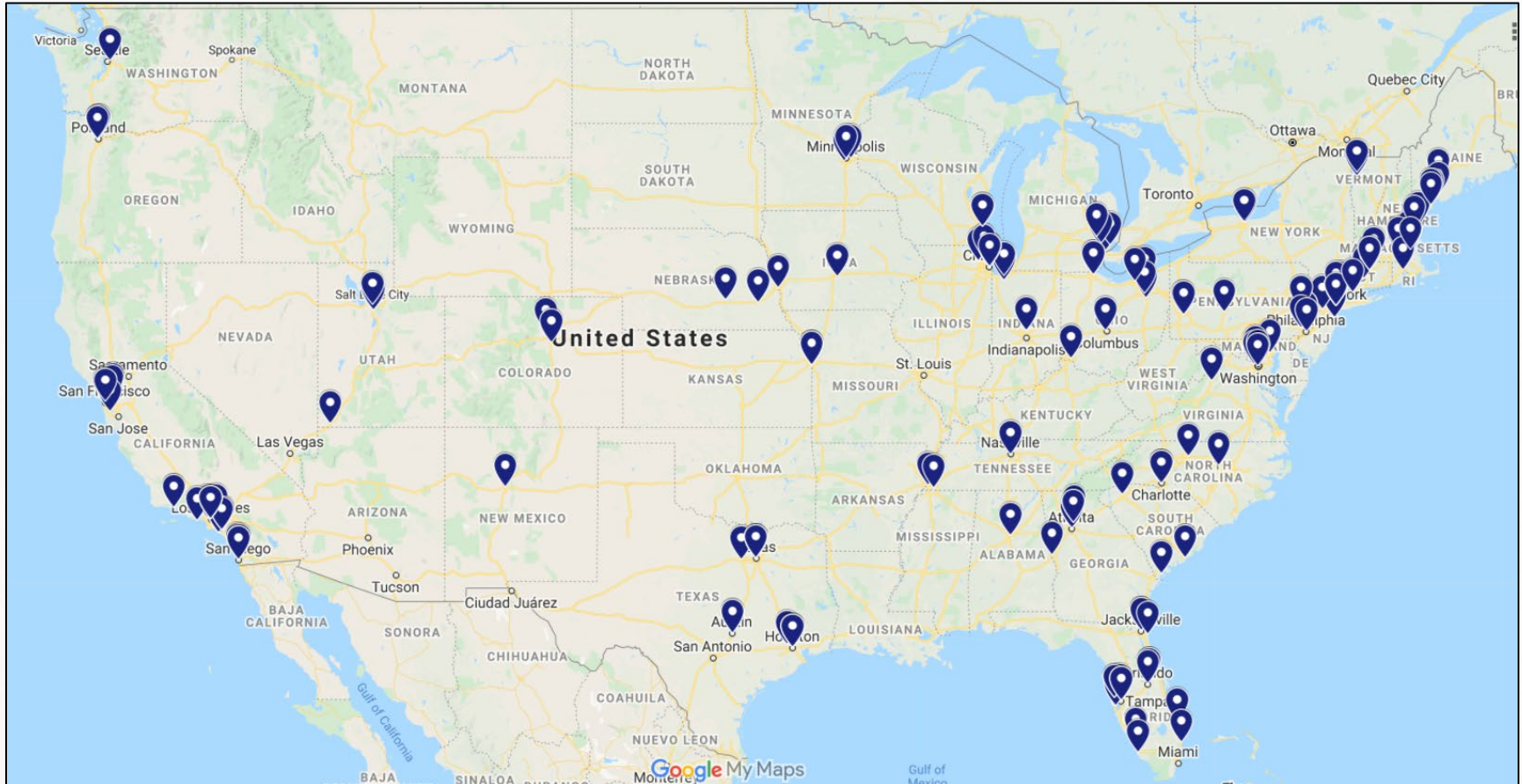
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The Walmart Effect

Acquisition Expansion Bringing Scaled Pricing and Large Market Capabilities and Service to Local Markets



Note: (1) Includes Acquisitions with Multiple Office Locations

Sources: (1) WRG Proprietary Client Data
(2) 401KSpecialist.com
(3) 401kWire.com

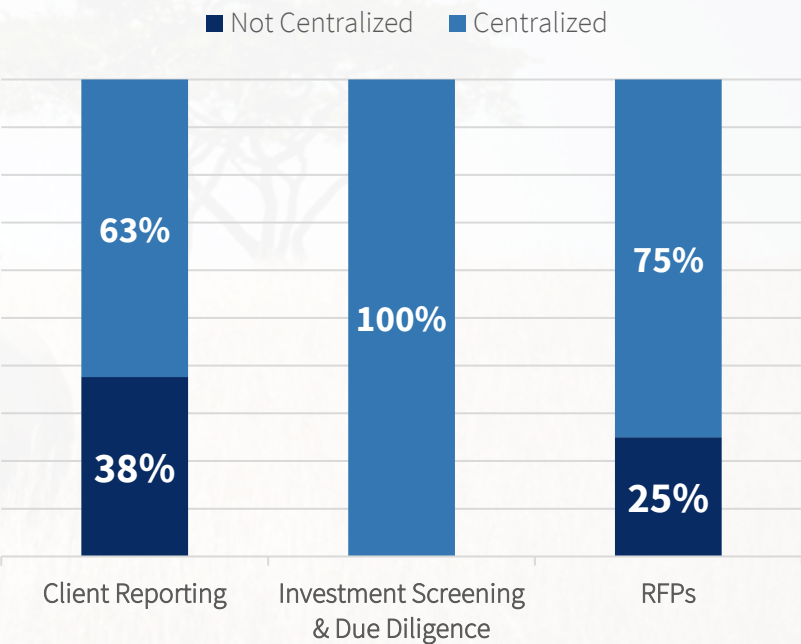


Retirement Aggregator Playbook

Retirement Advisory Becomes a Loss Leader

- ▶ Acquire Retirement Advisor Capabilities in Major Markets.
- ▶ Build Out Centralized Functions for Maximum Efficiency.
- ▶ Build Retirement/Wealth “Bridge” to Deliver Participant In-Plan Advice/Managed Accounts.
- ▶ Acquire Wealth Advisory Capabilities in Major Markets.
- ▶ Refer Segmented “Bridge Plan Leads” to local Wealth Offices.
- ▶ Direct Smaller Non-Core Wealth Leads to House Program.
- ▶ Adjust Retirement Advisory Pricing Down As Participant Based Services Draw Increased Revenue.

Centralization of Select Processes
(Top 8 Aggregators 2021)



Current Level of Priority to Centralize Processes and Remove Non-Client Facing Tasks From Advisors
(Top 8 Aggregators 2021)



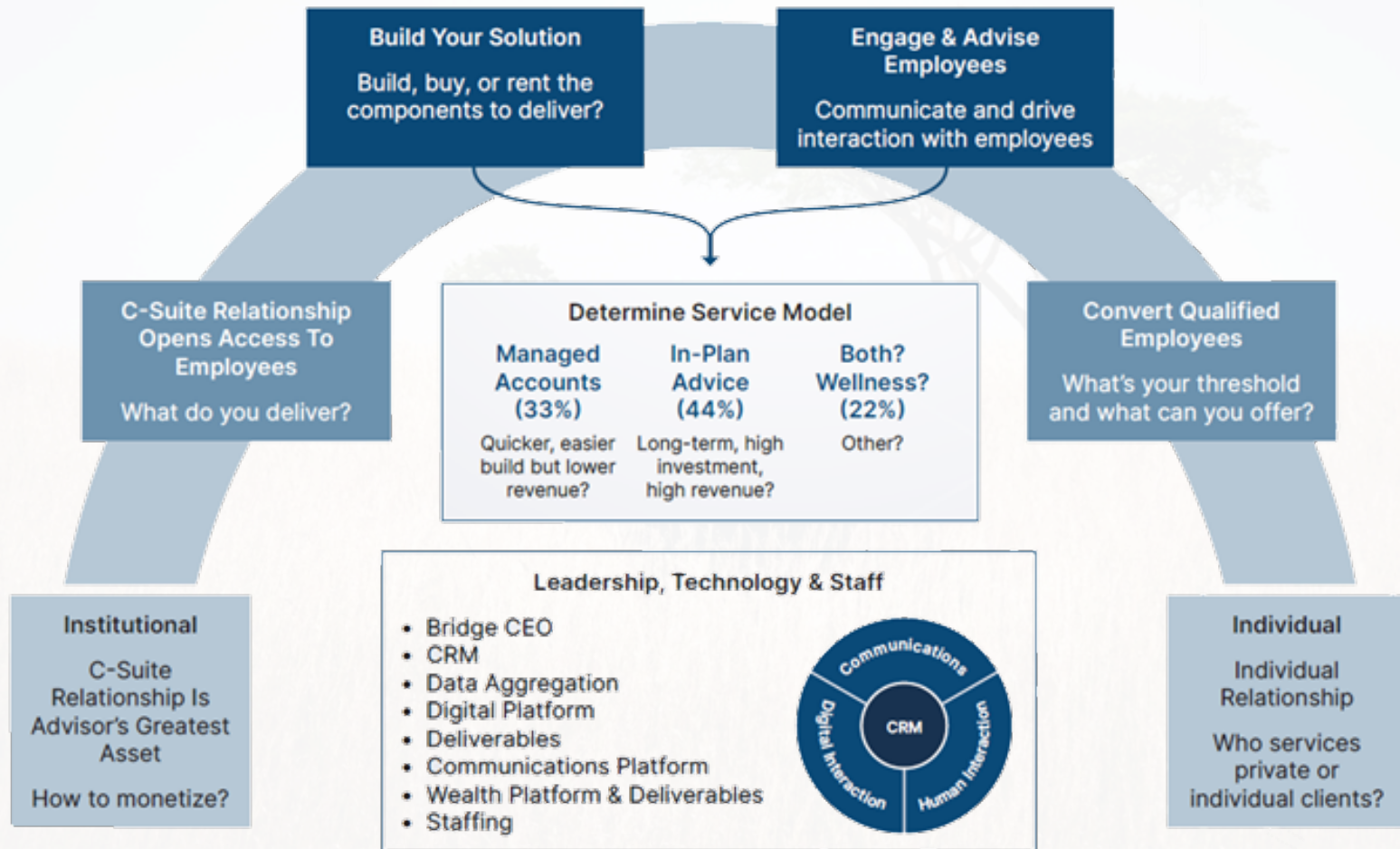
CAPTRUST – Case Study

- Built Leading National Retirement Advisory Firm
- Established Centralized Efficient Operating Platform
- Strategically Acquired Wealth Advisory Capabilities to Match/Partner with Retirement Advisory
- Now Focused on Building Out Wealth Bridge – Technology & People Hybrid
- Significant Uptake of In-Plan Advice Program from 3,600 Retirement Advisory Clients (6.5m Participants)
- >40% of wealth advisory focus segment leads originate in retirement plan business

| | ASSETS UNDER ADVISEMENT | REVENUE | EBITDA |
|------------------------|----------------------------|-----------------|----------------|
| TOTAL | \$600b | \$300M | \$85M |
| RETIREMENT ADVISORY | \$550B (92%) | \$180M (60%) | \$45m (53%) |
| WEALTH ADVISORY | \$50B (8%) | \$120M (40%) | \$40M (47%) |



The Bridge: Monetizing the Plan Participant



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Retirement Advisory Firm Table Stakes

What Retirement & Wealth Advisory Firms Value Most When Considering a New Partner



Commitment, Leadership, and Vision

- Clear roadmap to organic and inorganic growth
- Ability to articulate a clear vision around navigating the changing landscape



Culture and Community

- The alchemy of many important (but often small) things
- Retirement advisors know it when they see it



Growth Engine

- Scale through retirement, wealth and tech acquisitions
- Cross-sell other c-suite solutions and participant-based services and wealth advisory



Scalable Tech Platform/Operating Company

- Back-Office, Middle-Office, Retirement, Wealth, Monetize Participant
- Centralization of certain services to drive efficiency



Financial Firepower

- Capital and support to grow and scale towards being a strong operating company
- Acquisitions and Technology



Brand & Expertise

- Advisor recruiting brand, c-suite brand and employee level brand
- Broad capabilities



Role Expansion and Career Opportunities

- Beyond the practice to Region and Nationally
- Larger company opens more possibilities for staff



Proven Post Merger Integration Model

- Experienced with an effective transition blueprint
- Impacts partners, staff and clients

The Current Retirement M&A Landscape

- ▶ Valuations are still increasing, until demand/supply balance shifts
- ▶ Cash is not King
- ▶ Early Stages of a Shift to Wealth Advisory Acquisition Focus
- ▶ Increase in Escrow Component
- ▶ Post-Covid: Geography Less Important
- ▶ Post-Covid: Client Service Expectations Evolving
- ▶ Post-Covid: Principals and Staff reassessing life goals and work life balance



Retirement Advisory Firm Guaranteed Multiples Q3 2021

| FIRM TYPE | DESCRIPTION | MULTIPLE |
|--|--|----------------|
| SCALED RETIREMENT & WEALTH FIRM -VALIDATED MODEL HIGH GROWTH | CAPTRUST PE DEAL WITH GTCR IN 2020 AT 20X | 18.00 – 20.00X |
| INSURANCE BROKERAGE - MEGA | TOP 5 LARGEST FIRMS: AON, WILLIS, MARSH, BROWN & BROWN, GALLAGHER | 16.00 – 18.00X |
| INSURANCE BROKERAGE – MID/LARGE | TOP 6 – 20 FIRMS: ONEDIGITAL RECAP (JUNE 2020) | 14.00 – 16.00X |
| FULLY INTEGRATED RETIREMENT & WEALTH ADVISORY PLATFORM WITH AFFILIATES (\$15M REV +) | INDEPENDENT CENTRALIZED PLATFORM AND AFFILIATE FIRM NETWORK FOCUSED ON RETIREMENT AND WEALTH ADVISORY. | 12.00 - 14.00X |
| RETIREMENT & WEALTH ADVISORY FIRM - REGIONAL ELITE (\$8M REV +) | REGIONALLY SCALED ENSEMBLE BUSINESS TYPICALLY WITH MULTIPLE OFFICES. | 10.00 – 12.00X |
| RETIREMENT & WEALTH ADVISORY FIRM - ELITE (\$ 2 - \$8M REV) | ELITE SINGLE OFFICE BUSINESS | 8.5 – 10.00X |
| RETIREMENT ADVISORY FIRM - \$ 750 - \$2M REV) | EMERGING SINGLE OFFICE BUSINESS | 7.00 - 8.50X |
| RETIREMENT ADVISORY PRACTICE/BOOK - < \$ 750 REV | PRACTICE/BOOK OF BUSINESS | 4.00 - 7.00X |



Structural Components of a Transaction

- ▶ Pro Forma EBITDA
- ▶ Multiple
- ▶ Guaranteed Proceeds at Close
- ▶ Cash and Stock
- ▶ Escrow – Shared Risk
- ▶ Compensation
- ▶ Earn Out Contingencies
- ▶ Staff Retention Considerations



Drivers of Retirement Advisory Firm Enterprise Value

Think like a Buyer

Service Model Drivers

- Plan Investment Solutions/Managed Accounts
- Participant Advice
- Wealth Advisory
- Employee Benefits+

Fundamental Drivers

- Revenue Size
- Predictable and Recurring Revenue and Trend Line
- Margin/EBITDA and Trend Line
- Client Concentration Risk
- Leadership Capabilities and Brand
- Geography

Variable Drivers

- Client Demographics and Tenure
- Team Capabilities, G2, Recognition and Brand
- Breadth of Services
- Organic Growth Strategies and Results
- Cost Structure, Platform & Technology



Consider Doing These Things Now

- ▶ **Become a Student of the Retirement Advisory Firm Industry.**
- ▶ **Prioritize Business Management. Develop a Plan. Benchmark Periodically.**
- ▶ **Identify, Understand and Improve Your Firms Key Value Drivers.**
- ▶ **Learn To Think Like A Buyer As You Build Your Business.**
- ▶ **Seek Assistance From An Experienced Business Advisor.**



Q&A

Please submit any questions using the On24 interface

Additional questions can also be sent to
support@fi360.com

THANK
YOU
