

## Case study: Simplifying through RJ

Joe W. sees a tremendous growth opportunity for advisors who are looking to grow their firms through acquisition. He also sees one of the best ways to do it through the Raymond James system. His past experience prior to Raymond James is one of long search times and disappointment in the lack of understanding among sellers of what a realistic valuation and timeframe is. Fortunately, Joe was able to solve these problems by accessing resources through Raymond James.

His first acquisition was facilitated by tapping into a database of sellers that had worked with the Raymond James Practice Planning and Acquisitions group to describe their businesses so that they could best market their firms for sale. Through this database, Joe was able to identify a compatible advisory firm and the negotiations went quickly. One critical aspect of the transaction was Joe's ability to tap into financing resources from Raymond James that provided him with attractive terms on a loan that allowed for a sizable up-front down payment that cemented the deal with the seller.

Joe firmly believes that in these types of transactions, that it is very important for both the buyer and seller to be on the same broker/dealer platform to ease the transition. For example, the amount and complexity of paper work, transfer forms, and the like are extremely simplified if both parties share the same B/D. In some cases account numbers do not need to even change.

Joe's experiences, lessons and best practices for this process are that both buyer & seller really understand valuations and the terms of the deal. There are many ways to value an advisory practice; however, current rules of thumb for multiples of revenue do not adequately value the underlying profitability of the business being acquired. They also lead to misperceptions and inflated valuations, which sometimes make negotiations difficult to conclude.

Joe's advice for those looking to pursue an acquisition strategy is to really dig into the details of the transaction to ensure that there is a "win-win" for both sides. He also is excited about the increased focus by Raymond James in this area.