

MERCER CAPITAL

Investment Management Team Overview

Valuation and related services for asset managers, wealth managers, and independent trust companies

Memphis | Nashville | Dallas | Houston

901.685.2120

www.mercercapital.com

Mercer Capital Investment Management Team Overview

Typical Clients



Client base includes hundreds of RIAs and related investment firms both in the US and internationally



Client size by AUM ranges from ~\$50M to \$100B+;
Typical client in \$500 million to \$10 billion range



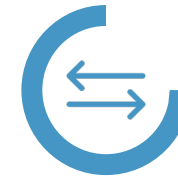
Clients include asset managers, wealth managers, independent trust companies, broker dealers, PE and alternative managers, OCIOs, etc.

Services Offered

Mercer Capital's RIA services typically fall into one of three categories:



**Valuation and
Related Services**



**Transaction
Advisory Services**



**Litigation Related
Services**

Team Overview



- Average 15+ years relevant industry experience
- Regularly provide advisory services to RIAs, BDs, independent trust companies, etc.
- Frequent writers and speakers on industry trends
- Significant experience working and advising on transactions in the industry
- Experienced expert witnesses in industry litigation matters

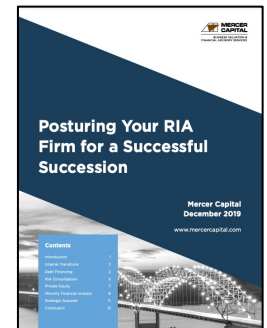
Recent Publications



*Investment Management
Newsletter*



*Buy-Sell Agreements for
Investment Management
Firms*



*Posturing Your RIA Firm
for a Successful
Succession*

Meet Our Team

Investment Management Group



Matthew R. Crow, ASA, CFA
CEO
crowm@mercercapital.com



Jeff K. Davis, CFA
Managing Director – Financial Institutions
jeffdavis@mercercapital.com



Brooks K. Hamner, CFA, ASA
Vice President
hamnerb@mercercapital.com



Zachary W. Milam, CFA
Vice President
milamz@mercercapital.com






Atticus L. Frank, CFA
Vice President
franka@mercercapital.com



Daniel P. McLeod, CFA
Senior Financial Analyst
mcleodd@mercercapital.com

Services Overview

 Valuation and Related Services	 Transaction Advisory Services	 Litigation Related Services
<ul style="list-style-type: none"> ▪ Company valuation for internal transactions, options issuance ▪ Valuations pursuant to buy-sell / operating agreements ▪ Valuations related to gift and estate tax planning ▪ ESOP valuations ▪ Financial reporting valuations (e.g., purchase price allocations) ▪ Compensation consulting (benchmarking; review and design of compensation programs) 	<ul style="list-style-type: none"> ▪ Buy-side and sell-side M&A representation services ▪ Consulting related to internal transactions ▪ Fairness opinions 	<ul style="list-style-type: none"> ▪ Shareholder disputes and corporate restructuring ▪ Valuation and contract related disputes ▪ Business damages and lost profits ▪ Damages related to non-compete, non-solicitation provisions ▪ Family law and divorce ▪ Tax-related controversies



Representative Engagements Valuation Services

Client	Location	Mercer Capital's Services
Asset Manager	West Coast	Provided valuation and related advisory services in connection with a minority interest sale to a foreign bank
Trust Company	Pacific Islands	Valued the business in connection with the founder's controlling interest sale to a bank
Asset Manager	Southwest	Provided valuation and related financial advisory services in connection with corporate reorganization
Hedge Fund	Northeast	Provided valuation for a shareholder buy-out
Wealth Management Firm and Broker-Dealer	Midwest	Provided valuation for a shareholder buy-out
Hybrid Asset/Wealth Manager	West Coast	Work regularly for the board, providing valuation services to facilitate ownership transition and leadership succession
Asset Manager	Midwest	Provide valuations for the company annually pursuant to buy-sell provisions and for estate planning for principles
Independent Trust Company and Wealth Management Firm	Northeast	Provide annual valuations for employee stock ownership plan
Publicly Traded Bank	Northeast	Performed purchase price allocations in relation to purchases of multiple wealth-management focused RIAs
Privately Held Bank	Northeast	Performed purchase price allocation in relation to purchase of wealth management-focused RIA and independent trust company



Representative Engagements Transaction Advisory

Client	Location	Mercer Capital's Services
Wealth Management Firm and Broker-Dealer	Southeast	Facilitated due diligence with potential acquirers and negotiated run-rate financials to maximize deal proceeds
Trust Company	West	Conducted due diligence and formulated offer to purchase trust company which would expand geographic presence
Alternative Asset Manager	Mid-Atlantic	Provided valuation and related services for a prospective IPO
Wealth Management Firm	Northeast	Provided valuation and advisory services in connection with sale to a bank
Fixed Income Asset Manager	Midwest/ Southeast	Facilitated sale of minority interest to a permanent financial partner to finance buy-out of founder
Asset Manager/OCIO	Southeast	Provided transaction advisory services related to buy-out of a founding shareholder
Equity and Fixed Income Manager	Midwest	Provided valuation to facilitate sale of equity interest from founding shareholders to next generation of management
Investment Consulting Firm	Southeast	Provided a fairness opinion for a management buy-out
Equity Asset Manager	West Coast	Provided tax advisory services in connection with a minority sale to a bank
Turnkey Asset Management Platform (TAMP)	Midwest	Provided buy-side advisory services to purchase business from founder



Representative Engagements Litigation Services

Client	Location	Mercer Capital's Services
Wealth Management Firm	Northeast	Provided litigation support and expert witness testimony related to damages resulting from breach of non-solicitation agreement and confidentiality provisions of employment agreement
Wealth Management Firm	Northeast	Provided valuation and related expert witness testimony for a shareholder buy-out
Fixed Income Asset Manager	Pacific Northwest	Provided valuation and related expert witness testimony for a shareholder buy-out
Wealth Management Firm	Northeast	Provided valuation and related expert witness testimony related to litigation brought by a former shareholder
Regional Broker Dealer	Southeast	Provided litigation support and expert witness testimony related to litigation stemming from acquisition of RIA by regional broker dealer
Hedge Fund	Northeast	Mutually retained expert to value interest in a shareholder dispute
Equity Asset Manager	Southeast	Provided valuation and helped negotiate settlement for a partner's interest pursuant to marital dissolution
Alternative Asset Manager	Southeast	Provided valuation and related expert witness testimony for a partner's interest pursuant to marital dissolution
Fixed Income Asset Manager	West Coast	Provided valuation and related expert witness testimony for owner's interest pursuant to marital dissolution
Private Equity Fund	Southeast	Provided valuations and related expert witness testimony for owner's GP and LP interests pursuant to marital dissolution

Valuation Approaches

Different valuation approaches offer alternative perspectives on the value of the business



①

Asset Approach

What is the current value of the company's assets relative to its liabilities?

+

Generally not applicable because investment management firms are not internally capital intensive businesses



②

Income Approach

What is the present value of the future benefits owners expect to realize from operating the business?

+

Discounted cash flow analysis to evaluate business plan and industry trends



③

Market Approach

What can be inferred from observable behavior of real world investors about the value of the business in today's market?

+

Pricing metrics from public companies and transactions relative to company performance characteristics

Income Approach – DCF Considerations



Project likely revenue mix

- Projected asset flows and market appreciation
- Fee schedule and trends in light of services / strategy and competitive pressures
- Fees for ancillary services (financial planning, insurance fees, etc.)
- Performance fees and carried interest if applicable

Project expense base

- Non-labor cost trends
- Staffing for business plan
- Evaluated in light of industry norms and trends
- Potential for operating leverage

Cost of equity

- CAPM (considered in light of WACC of comparable public companies)
- Risk leveraged to the market (like revenue)
- Non-systematic (company specific) risk considered (client demographics, sector focus, management dependence, etc.)
- Often higher for higher risk revenue streams (performance fees and other episodic revenue)

Cost of debt

- Usually irrelevant: little use of debt in investment management firms

Capital structure

- Typically 100% equity

Indicated value

- Typically expressed on an enterprise value basis
- Before consideration of capital structure implications
- Evaluated against available market pricing metrics for reasonableness

Market Approach Considerations



Baseline revenue

- Ongoing revenue a product of current AUM and effective realized fee level
- Risk adjusted consideration of other key revenue sources (insurance, planning, accounting, performance fees, etc.)

Baseline expenses

- Run-rate labor costs evaluated in light of market data as available
- Differentiation between fixed and variable compensation as appropriate
- Most non-labor costs slated at run-rate as of valuation date
- Nonrecurring items of income and expense adjusted out as appropriate

Publicly traded firms

- May provide perspective, but meaningful benchmarks may be scarce or nonexistent
- Evaluated for comparability
- EBITDA often most meaningful, but look at EV to revenue, EV to AUM multiples for context
- Multiples potentially adjusted for size and non-systemic risk factors

Transactions data

- Publicly available data provides perspective, but data is thin and idiosyncratic
- Mercer Capital's proprietary transactions database provides additional perspective
- Deals occur for specific reasons which may be not be relevant
- Trends in deal pricing offer bands of reasonableness

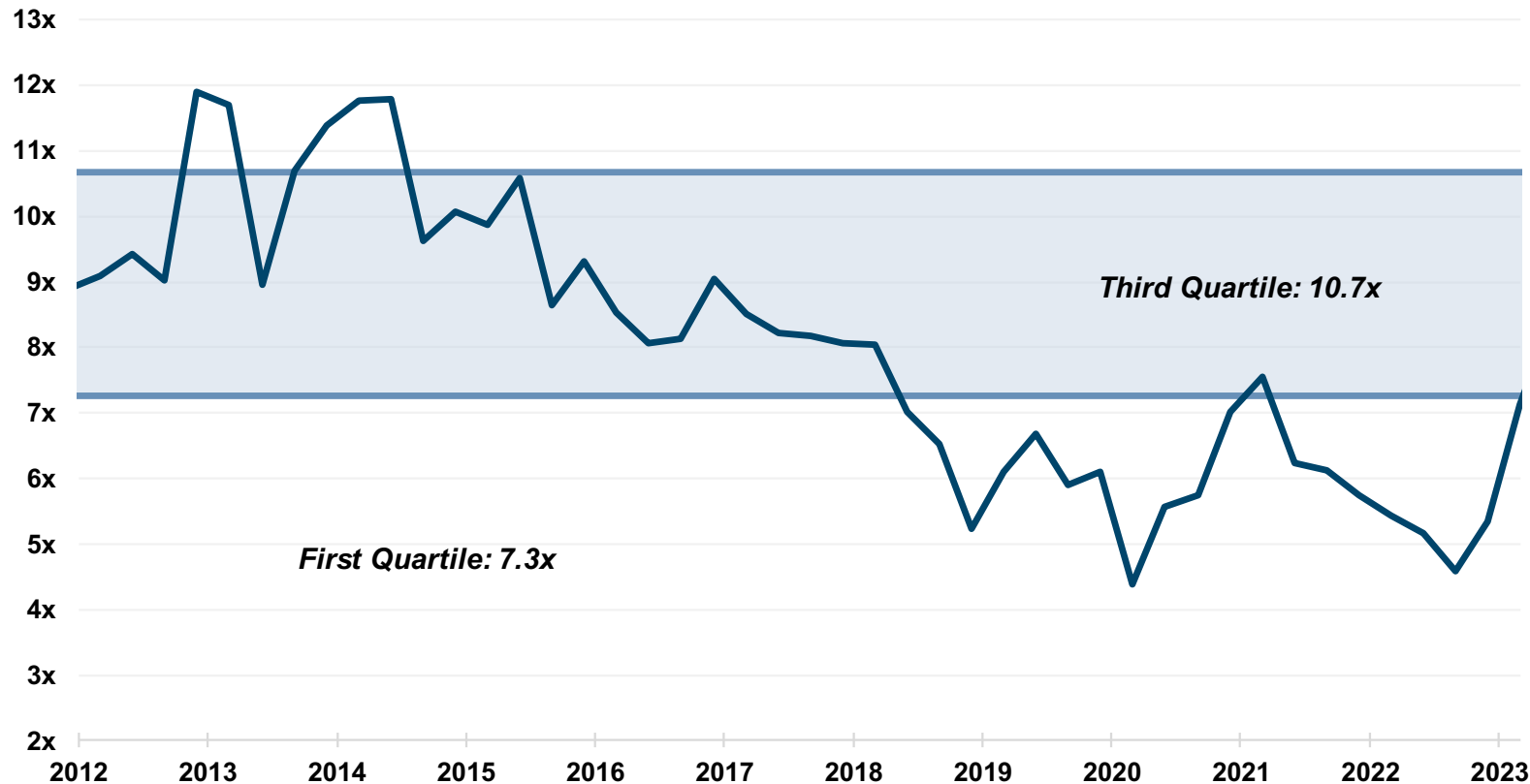
Indicated value

- Expressed on an enterprise value basis
- Before consideration of capital structure implications
- Evaluated against discounted cash flow analysis for reasonableness (consideration of business plan and cost of capital relative to market)

Market Pricing of Public Asset / Wealth Managers

Multiples observed in the public markets provide perspective, but there are factors that drive pricing differentials between public/private companies.

Historical EV / EBITDA multiples for publicly traded asset managers under \$250B AUM



- Since 2018, EBITDA multiples for smaller publicly traded asset managers have largely remained below historical norms. This downturn reflects adverse trends like pricing pressure and asset outflows that have impacted this group of public companies.
- Many sectors of closely-held RIAs, particularly wealth managers, as well as larger public asset managers have been less impacted by these trends and have seen more resilient multiples as a result. In the case of wealth management firms, strong demand from aggregators has also helped to bolster pricing in recent years.
- EBITDA multiples for smaller publicly traded asset managers dipped further during 2022, reflecting the broader decline in asset prices and expectations of lower earnings resulting from declining AUM balances and the impact of the tight labor market and inflationary pressures on the expense base for asset management firms.

Transactions Data

All deals are situation specific, but data forms a range

Guideline asset / wealth manager transactions

Buyer	Target	Announced	Closed	Initial Pmt +			Total Deal Value +		
				EBITDA	AUM	Revenue	EBITDA	AUM	Revenue
Pacific Current Group Limited	Avante Capital Partners	9/19/2023	pending	nm	6.56%	nm	nm	17.50%	nm
Cetera Financial Group, Inc.	Avantax, Inc.	9/11/2023	pending	9.92x	2.78%	1.44x	9.92x	2.78%	1.44x
Rithm Capital Corp.	Sculptor Capital Management, Inc.	7/24/2023	pending	nm	1.45%	1.38x	nm	1.45%	1.38x
Pathstone Family Office, LLC	Veritable LP	7/17/2023	7/17/2023	nm	1.78%	nm	nm	1.78%	nm
Man Group Plc	Varagon Capital Partners, L.P.	7/6/2023	9/7/2023	nm	1.24%	nm	nm	1.24%	nm
JTC PLC	South Dakota Trust Company	6/14/2023	pending	13.99x	0.15%	5.65x	18.88x	0.20%	7.63x
Franklin Templeton	Putnam Investments	5/31/2023	pending	6.17x	0.68%	1.85x	8.67x	0.96%	2.60x
TPG Inc.	Angelo, Gordon & Co., L.P.	5/15/2023	pending	nm	3.44%	nm	nm	3.96%	nm
MA Financial Group Limited	Blue Elephant Capital Management, LLC	5/2/2023	5/2/2023	nm	2.72%	nm	nm	2.72%	nm
Boston Omaha Asset Management, LLC	24th Street Asset Management LLC	5/1/2023	5/1/2023	nm	8.79%	nm	nm	11.78%	nm
IGM Financial Inc.	Rockefeller & Co. LLC	4/3/2023	4/3/2023	34.55x	3.71%	5.27x	34.55x	3.71%	5.27x
Various	Focus Financial Partners Inc.	2/2/2023	pending	8.22x	nm	1.91x	8.45x	nm	1.96x
Bellwether Investment Management USA, Inc.	Promus Asset Management, LLC	12/30/2022	12/30/2022	6.50x	0.94%	3.71x	9.35x	1.35%	5.34x
Federated Hermes, Inc.	C.W. Henderson & Associates, Inc.	7/18/2022	10/1/2022	nm	0.70%	3.26x	nm	1.14%	5.31x
Westwood Holdings Group, Inc.	Salient Partners, L.P.	5/26/2022	11/18/2022	nm	0.88%	1.13x	nm	1.50%	1.94x
Callodine Group, LLC	Manning & Napier, Inc.	4/1/2022	10/21/2022	8.67x	1.30%	1.94x	8.67x	1.30%	1.94x
Equitable Holdings Inc	Ab Carval Investors LP	3/17/2022	7/1/2022	nm	5.24%	nm	nm	9.79%	nm
Victory Capital Holdings, Inc.	WestEnd Advisors, LLC	11/4/2021	12/31/2021	nm	2.46%	nm	nm	4.09%	nm
Franklin Resources, Inc.	O'Shaughnessy Asset Management, LLC	9/30/2021	12/31/2021	nm	4.69%	nm	nm	4.69%	nm
Investor Group (Tiedemann; Alvarium)	Cartesian Growth Corporation	9/20/2021	1/3/2023	11.39x	1.87%	4.02x	11.39x	1.87%	4.02x
United Community Banks, Inc.	FinTrust Capital Partners, LLC	5/13/2021	7/6/2021	nm	0.92%	nm	nm	1.09%	nm
J O Hambro Capital Management Limited	Thompson, Siegel & Walmsley LLC	5/9/2021	7/22/2021	9.53x	1.28%	nm	9.53x	1.28%	nm
Business First Bancshares, Inc.	Smith Shellnut Wilson LLC	3/22/2021	4/1/2021	nm	0.32%	nm	nm	0.32%	nm
William Blair Investment Management, LLC	Investment Counselors of Maryland, LLC	2/10/2021	7/19/2021	nm	0.60%	nm	nm	0.60%	nm
Virtus Investment Partners, Inc.	Westchester Capital Management, Inc.	2/1/2021	10/1/2021	nm	2.65%	3.62x	nm	4.31%	5.90x
Rockefeller Capital Management L.P.	Whitnell & Co.	1/5/2021	3/1/2021	nm	0.72%	nm	nm	0.72%	nm
Macquarie Asset Management, Inc.	Waddell & Reed Financial, Inc.	12/2/2020	4/30/2021	10.00x	2.20%	1.57x	10.00x	2.20%	1.57x
BlackRock, Inc.	Aperio Group, LLC	11/23/2020	2/1/2021	nm	2.65%	nm	nm	2.65%	nm
Perpetual Ltd	Barrow Hanley Mewhinney & Strauss LLC	7/26/2020	11/17/2020	7.33x	0.88%	nm	8.00x	0.96%	nm
Investor Group / Management Team	Copper Rock Capital Partners LLC	7/26/2020	7/26/2020	nm	0.60%	nm	nm	0.60%	nm
City of London Investment Group Plc	Karpus Management, Inc.	6/9/2020	10/1/2020	nm	3.12%	nm	nm	3.12%	nm
Management Group	Entrust Global LLC	2/18/2020	7/31/2020	nm	0.42%	nm	nm	0.42%	nm
Franklin Resources Inc	Legg Mason Inc	2/18/2020	7/31/2020	8.83x	0.66%	1.83x	8.83x	0.66%	1.83x
AMG National Trust Bank	Boys, Arnold & Company, Inc.	2/3/2020	5/29/2020	nm	1.10%	nm	nm	1.10%	nm
Perpetual Ltd. (ASX:PPT)	Trillium Asset Management, LLC	1/30/2020	6/30/2020	nm	0.96%	nm	nm	1.09%	nm
Blucora, Inc. (NASDAQ:BCOR)	Honkamp Krueger Financial Services, Inc.	1/7/2020	7/1/2020	nm	2.47%	nm	nm	3.95%	nm
Estancia Capital Management, LLC	Geneva Capital Management LLC	12/6/2019	3/17/2020	nm	0.73%	nm	nm	1.40%	nm
Charles Schwab Corp/The	USAA / Brokerage and Wealth Management	7/25/2019	5/26/2020	nm	1.98%	nm	nm	1.98%	nm
LPL Financial Holdings Inc.	Allen & Company of Florida, Inc.	5/21/2019	8/1/2019	8.79x	0.86%	nm	12.31x	1.20%	nm
Goldman Sachs Group Inc/The	United Capital Financial Partners Inc	5/16/2019	7/17/2019	nm	2.92%	nm	nm	2.92%	nm
Silvercrest Asset Management Group LLC	Cortina Asset Management, LLC	4/15/2019	7/1/2019	8.79x	2.65%	3.45x	13.92x	4.20%	5.46x
Fiera Capital Corporation	Integrated Asset Management Corp.	3/22/2019	7/3/2019	12.21x	3.20%	3.42x	12.21x	3.20%	3.42x
Onex Corp	Gluskin Sheff + Associates	3/22/2019	6/3/2019	7.76x	4.17%	3.04x	7.76x	4.17%	3.04x
Victory Capital Holdings Inc	USAA Asset Management Co	11/6/2018	7/1/2019	11.10x	1.23%	1.72x	13.06x	1.45%	2.02x
Investor Group	Bingham, Osborn & Scarborough LLC	10/17/2018	12/3/2018	nm	0.72%	nm	nm	0.72%	nm
Morningstar Japan K.K.	Carret Asset Management, LLC	8/29/2018	2/14/2019	nm	0.69%	nm	nm	0.69%	nm
Natixis Investment Managers	WCM Investment Management	7/11/2018	4/5/2019	nm	3.93%	nm	nm	3.93%	nm
Edelman Financial Services, LLC	Financial Engines, Inc.	4/30/2018	7/19/2018	18.79x	1.79%	nm	18.79x	1.79%	nm
Bank of Nova Scotia/The	Jarislowsky Fraser Ltd	2/12/2018	5/1/2018	nm	2.24%	nm	nm	2.38%	nm
Virtus Investment Partners, Inc.	Sustainable Growth Advisers, LP	2/2/2018	7/1/2018	nm	1.64%	5.62x	nm	1.64%	5.62x
Union Bank & Trust	Dixon, Hubard, Feinour & Brown, Inc.	1/29/2018	4/1/2018	nm	0.88%	nm	nm	1.35%	nm
Management group	ZAIS Group Holdings, Inc.	1/12/2018	5/18/2018	nm	2.33%	2.69x	nm	2.33%	2.69x
Investor group / Management Team	Anchor Capital Advisors LLC	12/20/2017	4/13/2018	5.08x	0.35%	0.97x	7.46x	0.51%	1.42x
First Quartile		5/16/2019	7/1/2019	7.99x	0.83%	1.72x	8.67x	1.09%	1.94x
Average		12/6/2020	11/7/2020	10.93x	2.02%	2.83x	12.20x	2.59%	3.42x
Median		12/2/2020	7/13/2020	8.83x	1.55%	2.69x	9.92x	1.57%	2.69x
Third Quartile		7/18/2022	12/31/2021	11.25x	2.67%	3.62x	12.69x	3.14%	5.31x

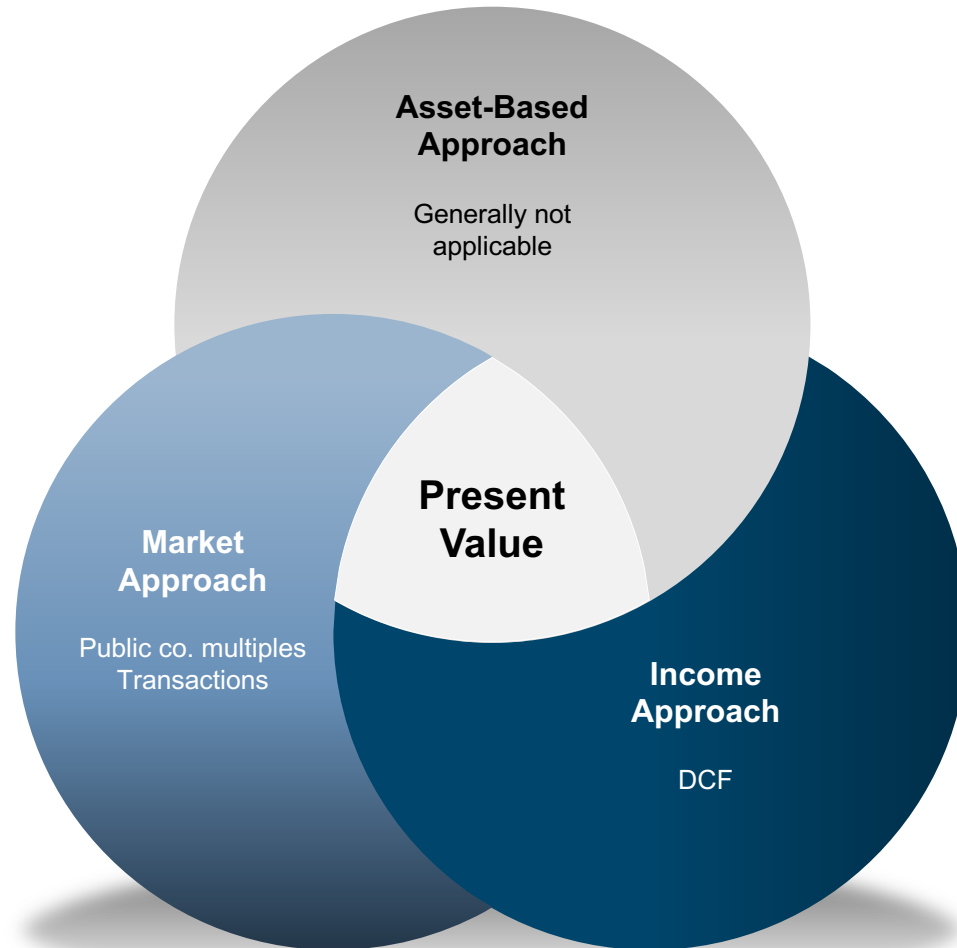
▪ The publicly disclosed transactions are gathered from public databases and/or disclosures which we accumulate and maintain as the information becomes available. Often, publicly disclosed transactions include little detail about the underlying performance metrics that contributed to the pricing negotiated, but we nonetheless gather what information we can find.

▪ While publicly available information is often limited, the transactions do represent real world industry pricing and at least serve to provide perspective about the value of businesses that are in some way relevant to the subject company.

▪ Additional perspective is provided by our internal (proprietary) transactions database, which is developed and maintained pursuant to our professional relationship with other clients in the industry, often because of our direct involvement in the transaction or because we have knowledge of deal terms because of an unrelated assignment. The disclosure of specific parties associated with this knowledge is governed by nondisclosure agreements and, as such, we cannot list them in the same manner that we do the publicly disclosed deals. Nonetheless, they are a component of our professional experience and inform our perspective in valuation engagements.

Reconciling Indicated Values

It would be unusual for the indicated values from the various income and market methods to align perfectly.



- Value indications from the market approach can be reasonably volatile, since the market for investment managers is leveraged to the performance of the market in general. Because valuation for fair market value purposes is more of a descriptive exercise than a prescriptive one, this is a perspective we consider.
- In our experience, though, investors in private companies think longer term. The more enduring indications of value from income approaches such as DCF models are often more representative of the actual behavior of real-world buyers and sellers of interests in investment management firms.
- Nonetheless, using multiple valuation approaches serves to generate tests of reasonableness against which the different indications can be evaluated.
- While we usually don't consider the asset approach to be relevant to the valuation of RIAs, the balance sheet can be remarkable in situations where there are excess or non-operating assets or contingent liabilities that need to be considered apart from the value of the firm's ongoing operations.

Levels of Value

The levels of value can be described as follows:

Controlling Interest Basis

Refers to the value of the enterprise as a whole. The controlling interest level of value is generally recognized to include two components, the financial control level and the strategic control level.

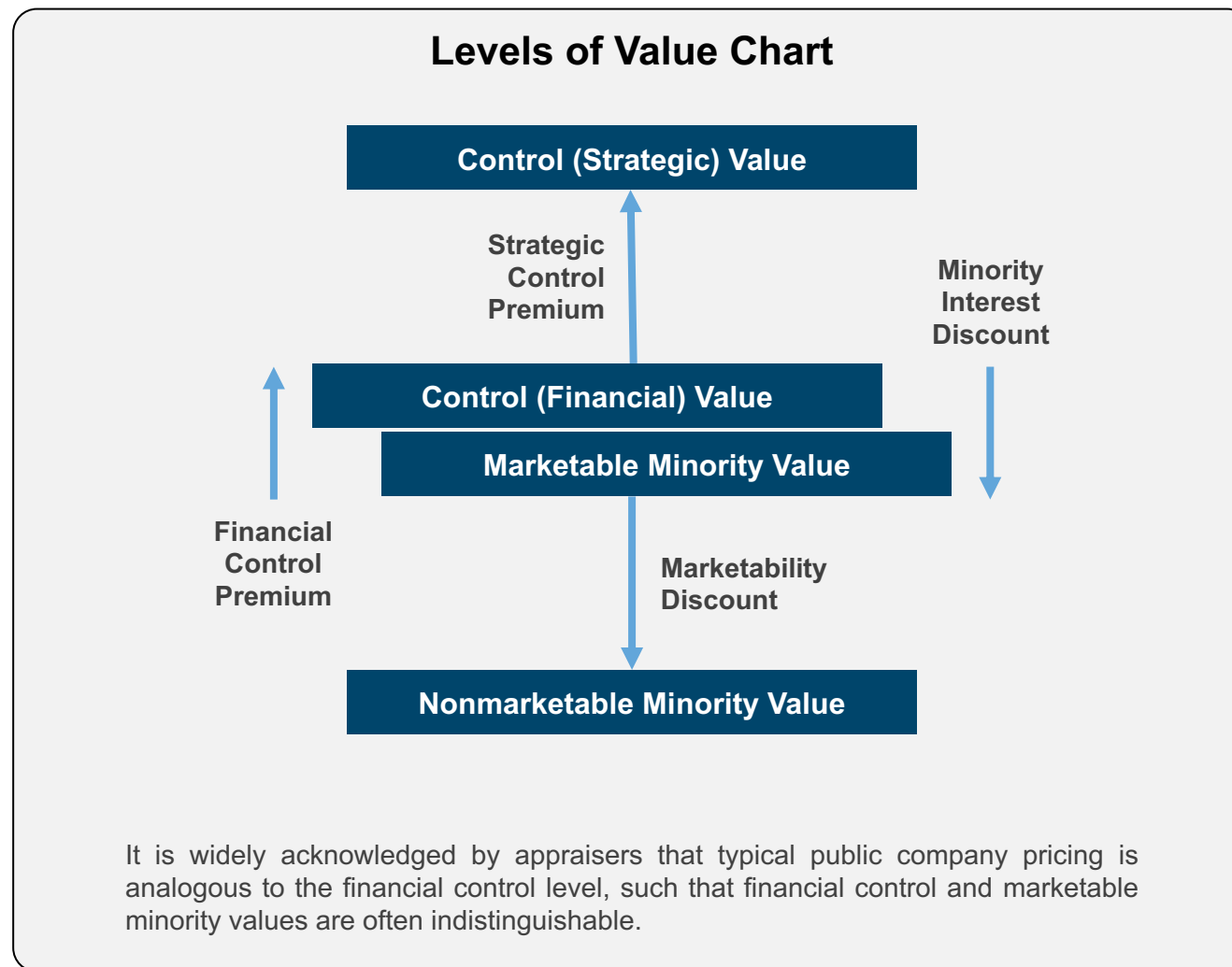
Marketable Minority Interest Basis

Refers to the value of a minority interest, lacking control, but enjoying the benefit of liquidity as if it were freely tradable in an active market. The marketable minority level of value is also on an enterprise level of value, meaning that it is developed based on 100% of the expected cash flows of the enterprise.

Nonmarketable Minority Interest Basis

Refers to the value of a minority interest, lacking both control and market liquidity.

Valuation theory suggests that there are various “levels” of value applicable to a business or business ownership interest



The Typical Valuation Process Takes Six to Eight Weeks

(depending on your needs)

