



PRACTICE DEVELOPMENT PEER INSIGHTS

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March 2023





OUR AIM FOR THIS SESSION

Gain an understanding of current business valuations, the factors that drive value and Industry benchmarks.

Leverage these learnings, and the shared ideas and experience of your colleagues, to leave with some plans and ideas to enhance your business, profit and lifestyle.



LEARNING OUTCOMES

By participating in this session, you will be able to:

- Gain an understanding of the current market statistics around business metrics, clients and book valuation drivers.
- Explore business critical success factors to help with driving growth, increasing profitability, value and overall business health.
- Discover through peer collaboration:
 - pricing methodologies, positioning and ways to improve your current position.
 - Driving value in your business through improved profitability and growth.



Building your business for the future

Market update for transactions

- Activity over the 12 months or so
- What's driving demand?
- What's driving supply?
- Who are the buyers and sellers?
- The importance of conducting due diligence
- Business value methods – Recurring Revenue Vs EBIT

Valuation Considerations

CLIENT DEMOGRAPHICS

- Geographic location
- Client age
- Pricing/fees per client
- Client service levels
- FUM levels

BUSINESS QUALITY

- Sustainable profitability
- Business growth or decline
- Systems/processes/technology
- Compliance
- Referral sources

OTHER FACTORS

- Key person risk
- Cultural alignment
- Market forces - supply vs demand
- Ability of buyers to fund purchase
- Strategic benefits

Radars - Current Pricing Guide

Revenue Type	Recurring Revenue Multiple
Investment and super clients (aged 80+ years)	0.8 to 1.0x
Investment and super clients (aged 65 -79 years)	1.7x to 2.3x
Investment and super clients (aged up to 64 years) Fee	2.2x to 2.8x
Risk clients (aged under 55 years)	2.2x to 2.7x
Risk clients (aged 55 – 60 years)	2.0x to 2.3x
Risk clients (aged 61+ years)	1.0x to 1.5x
Mortgage clients – home loan trails	2.25x to 3.25x
Accounting fees – business clients	0.9 x to 1.25x
Accounting fees – individual returns	0.5x to 0.9x

Pricing Guide – Fee Size per Client

Revenue Type	Recurring Revenue Multiple
Investment and super clients	
Average fee per client \$2,000 to \$4,000 per annum	2.2x to 2.5x
Average fee per client \$4,000 to \$10,000 per annum	2.6x to 3.3x
Risk Insurance clients	
Average fee per client \$2,000 to \$4,000 per annum	2.2x to 2.5x
Average fee per client \$4,000 to \$10,000 per annum	2.6x to 3.3x

What do most buyers ask for?

Clients

- Client numbers are between 100 - 200 per adviser
- Ideal ages are: 45 to 65 years old
- Client FUM are \$500k or higher
- Low client attrition
- Intergenerational client relationships
- Good referral sources

Pricing

- Every client is profitable
- Minimum fees ~\$5000 per client
- Fees are appropriate for service/FUM
- Fees are paid monthly (cashflow)
- History of sustainable profitability

Staff and Resources

- Experienced and paid at market rates
- Flexible and willing to join buyer's business
- Resources are appropriate to fees/workload

Compliance

- Good past compliance audits/reports
- Complete client files
- No outstanding client complaints

Service

- Services in client agreement are minimal
- Actual services provided easily deliverable
- Business has good processes & systems
- Efficient use of platforms (single platform) and software (CRM, strategy tools etc)

Increasing Your Business Value

- Client numbers, quality and pricing
- Good systems and processes
- Excellent governance and reporting
- Great staff / management team
- Flexibility
- Sustainable strong profitability
- Vendor assistance – plan ahead
(client transition, vendor finance, etc)



Case Study 1 – Benefits of Buying

Assumptions	base being purchase	Your Current Business	Merged Business
Recurring Revenue	\$ 250,000		
Purchase Price Paid @ 2.5x RR	\$ 625,000		
Interest Cost -7.5% (10 year loan)	\$ 265,264		
Recurring Revenue		\$ 400,000	\$ 650,000
Costs of Running Business		\$ 320,000	\$ 320,000
EBIT - Profit		\$ 80,000	\$ 330,000
Cost of Loan Repayments pa			\$ 89,026
Extra Profit available for Extra Expenses			\$ 160,974
Extra Value Created after 10 years			
Assumes all valued at 2.5 x RR	\$ 625,000	\$1,000,000	\$1,625,000
Assumes current and merged @ 6 x EBIT		\$ 480,000	\$1,980,000

Case Study 2 – Impact over 5 years

Organic growth at 10%	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Equity Value
Recurring Revenue	\$ 400,000	\$ 440,000	\$ 484,000	\$ 532,400	\$ 585,640	\$ 644,204	\$ 1,610,510
Operational Cost @ 70%	\$ 280,000	\$ 308,000	\$ 338,800	\$ 372,680	\$ 409,948	\$ 450,943	
Profit Expectations @ 30%	\$ 120,000	\$ 132,000	\$ 145,200	\$ 159,720	\$ 175,692	\$ 193,261	
Acquisition then organic growth at 10%	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Equity Value
Recurring Revenue	\$ 400,000	\$ 650,000	\$ 715,000	\$ 786,500	\$ 865,150	\$ 951,665	\$ 2,379,163
Operational Cost @ 70%	\$ 280,000	\$ 455,000	\$ 500,500	\$ 550,550	\$ 605,605	\$ 666,166	
Profit Expectations @ 30%	\$ 120,000	\$ 195,000	\$ 214,500	\$ 235,950	\$ 259,545	\$ 285,500	
Net Profit after annual loan repayment		\$ 105,974	\$ 125,474	\$ 146,924	\$ 170,519	\$ 196,474	

Thank You

Thank you for participating today

**Feel free to speak to me about your
specific situation**

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BENCHMARKING – HOW DO YOU COMPARE?



Profit per Principal
\$262,073



Business Profitability
Average - **24%**



47% reporting profit of
11-39%



1.4 support staff per
adviser



55% of clients are
aged **60** years +



228 Clients
(**105** 'A' clients)



Average Revenue per
client **\$3,558**



FUM per adviser
\$80M

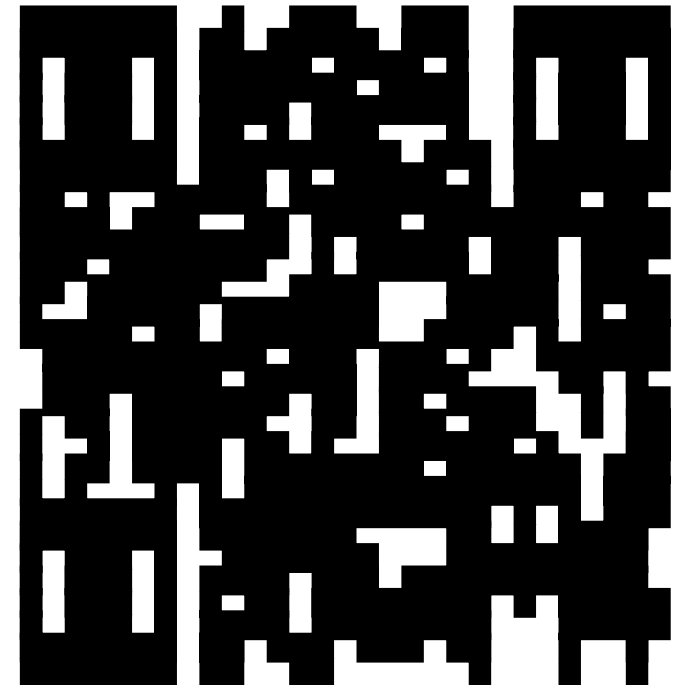


5.7 Client appts per
week



POLLING QUESTIONS

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What's the most important change required to your current client base?

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**How do you plan to improve profitability /
grow your business in the next 12 months?**

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What additional services do you think your clients or prospective clients would value?

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TABLE DISCUSSION - CLIENT FEES AND VALUE PROPOSITIONS

Activity – 15 minutes then report back

What do you currently charge? Where do you think it should be?

Adviser belief? vs What did your clients tell you?

How will you (*did you*) position the fee review?

How do you demonstrate (tangible and intangible) values?

What's your value proposition to your A type clients?

What is the experience of those at the table who has done this?

What are you doing with low value or non-profitable clients?



TABLE DISCUSSION - DRIVING GROWTH

Renovating or enhancing your business to optimise its value regardless of what business stage you are in.

Now with a view of the market statistics what could you do to generate growth in your business?

Activity – 15 minutes then report back

How are you attracting the **next generation** of clients?

What **services** could you enhance or introduce?

Are you better to **purchase** clients or **grow organically**?

How could you better leverage your **referral partners**?



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What are topics you'd like to cover at future adviser round table discussions?

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YOUR IDEAL BUSINESS

“Some people achieve the top of the ladder and only then realise it was standing against the wrong wall.”

Stephen R. Covey



Measure what you want to improve



Management Report Revenue (11/02/2022 -> 10/02/2023)						
Client Segment	Client Groups	Average Age	Adviser Service Fee	Ongoing Insurance	Upfront Insurance Commission	Upfront Adviser Service Fee
\$0-\$500	24	53.35	9,016	2,965	-1,837	0
\$501-\$1,000	23	51.65	8,861	6,640	617	0
\$1,001-\$2,000	45	51.77	45,485	18,899	341	275
\$2,001-\$5,000	65	51.97	133,355	63,783	3,717	6,170
\$5,001-\$10,000	34	58.85	143,279	55,121	4,818	23,710
\$10,000+	6	61.83	41,900	29,157	44	3,650
Total	197	N/A	381,896	176,565	7,700	33,805

Client Information			Portfolio	Revenue Types	
Master Entity ID	Age(s)	Next Review	FUM / FUA	Adviser Service Fee	Ongoing Insurance
Client name	63	08/06/2023	\$587,542	\$5,500	\$0

CENTREPOINT
ALLIANCE

THANK YOU

