VALUATION OF WEALTH MANAGEMENT FIRMS

"Compound interest is the eighth wonder of the world. He who understands it, earns it; he who doesn't, pays it."

- Attributed to Albert Einstein.

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY

A complete overview, firm types, & what commands premium value

A **wealth management firm** is a professional financial services institution that helps individuals, families, and businesses manage, grow, and protect wealth across generations.

They provide integrated solutions such as:

- **Investment management**: equities, bonds, mutual funds, AIFs, PMS, real estate, alternatives
- **Financial planning**: retirement, succession, tax efficiency, estate structuring
- **Advisory role**: long-term trusted partner, not just a product seller
- **Exclusive access**: pre-IPOs, private equity, hedge funds, AIFs

The most valuable asset of a wealth management firm - **client trust and the AUM it generates** - does not appear on its balance sheet. Enterprise value is primarily driven by the present value of future fee-based income, supported by operating leverage, client retention, and scalability of the advisory platform.

Fee Yield → **AUM** → **Client Retention**

The three most critical drivers that determine Wealth Management valuation

Types of Wealth Management Firms

Not all wealth management firms are the same - their structure, client base, revenue model, and regulatory framework differ significantly. Understanding the firm type is the essential first step in any valuation, as each type uses different valuation benchmarks and multiples.

Pure-Play Independent firms	The entire business is wealth advisory, typically high recurring revenue, with a focus on HNWI/UHNWI. Examples: Fisher Investments, 360 ONE WAM, Julius Baer, Nuvama Wealth **Valuation method:** EV/AUM, EV/EBITDA, EV/Revenue, and DCF
Bank-Affiliated	Embedded in a universal bank, cross-sells banking products, lending capability, and the parent brand Examples: UBS GWM, JPMorgan Private Bank, HDFC Securities Wealth **Valuation method:** Sum-of-the-Parts (SOTP) within parent, EV/EBITDA on a division basis, EV/Revenue
Multi-Family Office	Ultra-bespoke, low client count, comprehensive life management for UHNWI families with min AUM USD 10 Mn+ Examples: Waterfield Advisors, Iconiq Capital, Stonehage Fleming **Valuation method:** EV/EBITDA, EV/Revenue and DCF
Registered Investment Adviser	Fee-only fiduciary; primarily USA-based, SEC-registered; no proprietary products. Over 16,544 RIAs are registered with the SEC, managing USD 176.8 Tn. Examples: Mercer Advisors, Edelman Financial Engines, Creative Planning **Valuation method:** EV/AUM, EV/EBITDA, EV/Revenue and DCF
Digital / Robo-Advisory	Algorithm-driven, low-fees mass-affluent client base; scalable technology Examples: Betterment, Wealthfront, INDmoney, Scripbox **Valuation method:** EV/Revenue, DCF, and EV/AUM
Private Banks	Combines wealth management with banking, credit, lending, and FX-Ultra-HNWI clientele; global offices. Examples: UBS, Pictet, Coutts, Lombard Odier **Valuation method:** Price-to-Book (P/B) and Sum-of-the-parts

The multiples used are determined by the type of the firm

Valuation multiples vary significantly by firm type due to differences in fee yield, client segment, operating model, and capital intensity. Pure-play wealth managers with higher fee yields and recurring revenues typically command higher EV/AUM multiples, while bank-affiliated wealth divisions are valued within broader group valuation frameworks such as Price-to-Book.

Reasons why Wealth Management Firms Command Premium

A wealth management firm is valued not just for its assets, but for its ability to transform trust into durable, scalable economics. The most highly valued firms are those that embed themselves deeply into clients' lives, generate predictable revenues, institutionalize talent, and build resilience through governance.

Driver	Why It Commands Premium
Strong Client Relationships	Clients do not stay because they are locked in - they stay because the firm is woven into every aspect of their financial life: investments, estate planning, tax, succession, and generational advisory.
Organic Growth via Referrals	The majority of new clients come from referrals, not marketing spends. This signals trust, reputation, and a brand moat that money cannot buy.
Recurring Revenues	Fee-based AUM charges and advisory retainers create annuity-like cash flows. Investors prize this predictability and reward it with higher multiples.
Institutionalized People	Advisors are long-tenured and represent the firm, not just themselves. Goodwill belongs to the business, not a single rainmaker - eliminating key-person risk.
Differentiated Product Platform	Access to exclusive AIFs, PMS, and private market investments that clients cannot source elsewhere makes the firm indispensable and premium-priced.
Robust Governance	Strong compliance frameworks, succession planning, and next-gen relationship managers ensure continuity. No single departure threatens the whole.

2. GLOBAL WEALTH MANAGEMENT LANDSCAPE

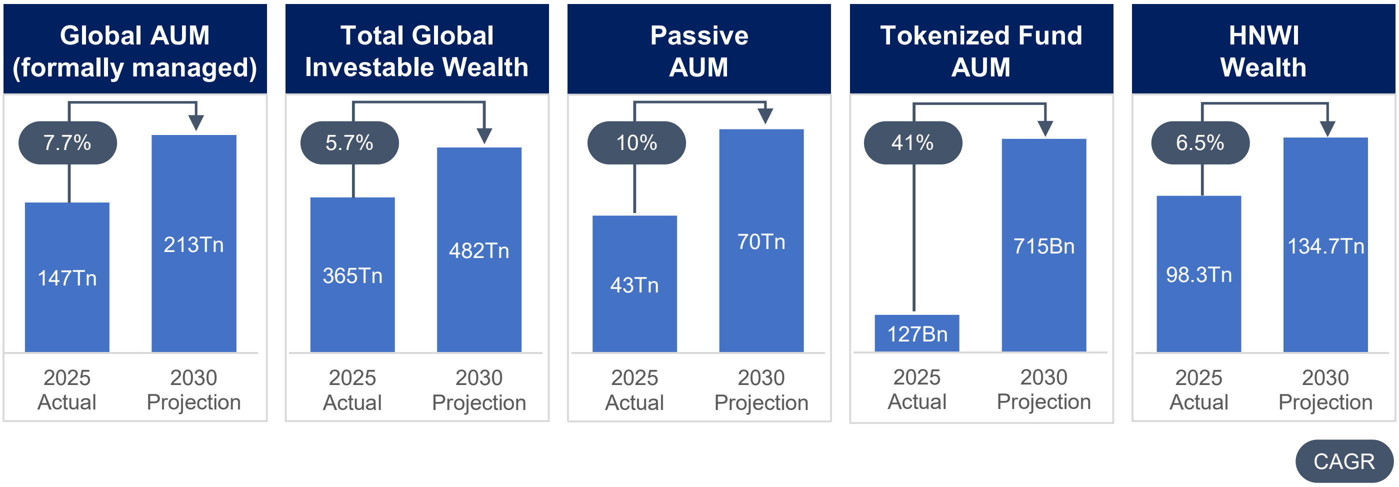
Market size, HNWI data, regional distribution, and India

Global Market Size & AUM

Global market data provides essential context for assessing growth assumptions, including AUM expansion, long-term growth expectations, and fee yield trends. A firm operating in a market growing at 18% annually will naturally exhibit a very different trajectory from one in a 5% growth environment.

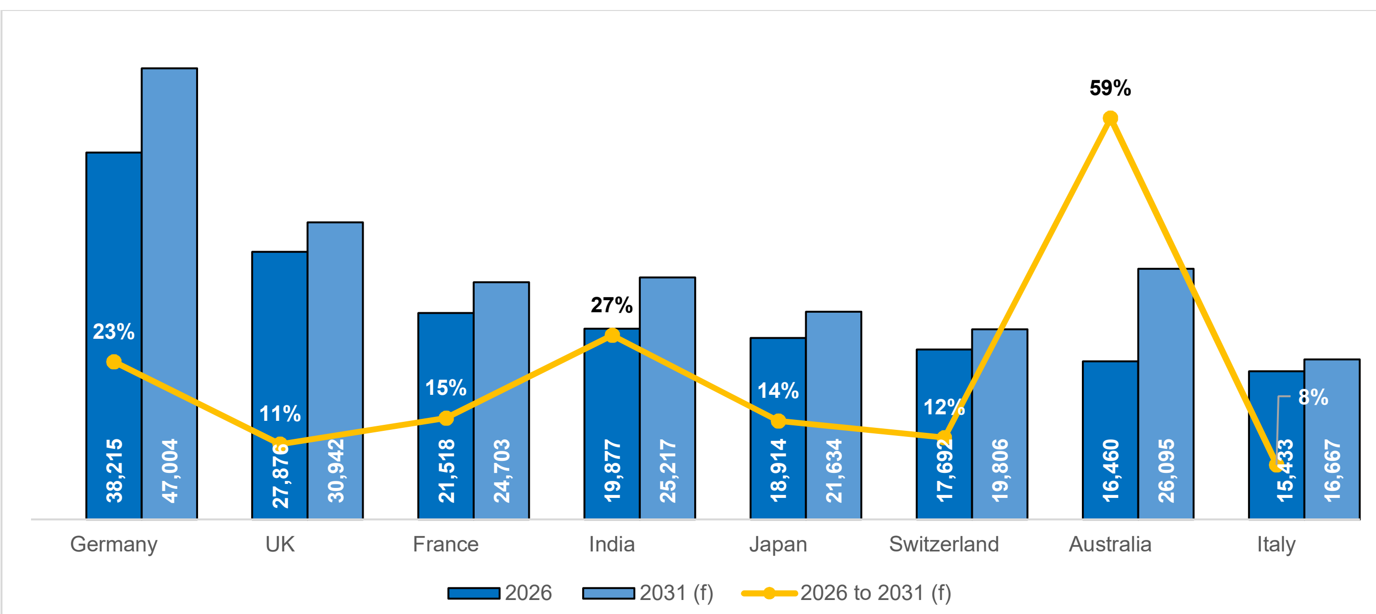
The data below frames that context.

Figures in USD



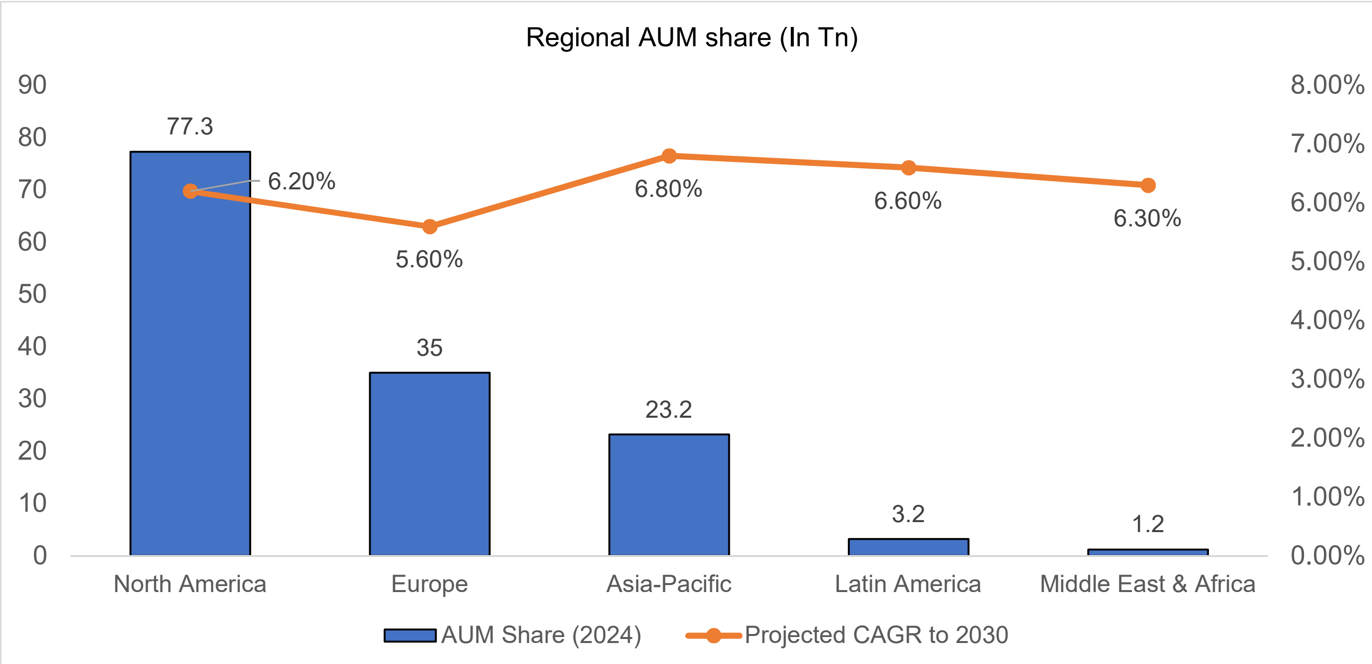
Global HNWI Population & Wealth

Country	2026	2031 (f)	2026 to 2031 (f)
US	2,51,352	3,87,422	54%
Mainland China	1,21,677	1,44,602	19%



Regional AUM Share & Growth Rates

Growth in wealth management is not uniform across regions. Differences in economic maturity, capital market depth, and wealth creation patterns drive variations in AUM growth, fee dynamics, and client composition, ultimately leading to materially different valuation outcomes across geographies.



India - A Market in Its Own Category

India's wealth management sector is undergoing one of the most significant structural expansions of any emerging market globally - driven by equity market appreciation, entrepreneurial wealth creation, formalization of savings into financial assets, and a rapidly rising HNWI population.

India-Specific Metric	Data
India HNWI Population (2025)	~3,90,000 individuals (3% YoY increase)
India UHNWI Population (2026)	19,877 individuals
India HNWI Wealth	USD 1.64 Tn (4.6% rise)
India Millionaire Households (>INR 8.5 Cr net worth)	8,71,700 households (up 90% since 2021)
India Billionaire Households (>INR 8,500 Cr net worth)	360 households; collective wealth Rs 185 lakh crore
Ultra-Rich Indians (>Rs 1,000 Cr net worth)	1,683 individuals; cumulative wealth Rs 167 lakh crore
India Specialized Wealth Management AUM Target (FY29)	USD 1.6 Tn (18%+ CAGR)

3. BUSINESS MODEL AND REVENUE ARCHITECTURE

Revenue streams, cost structure & profitability benchmarks

Revenue Streams & Fee Structures

Revenue in a wealth management firm is a blend of recurring (annuity-like) and transactional (one-off) income. The higher the share of recurring revenue, the more predictable and valuable the business - and the higher the valuation multiple it commands.

Revenue Stream	Revenue Type	Typical Fee / Yield	Description
AUM Management Fee	Recurring / Annuity	0.5%-1.5% of AUM	Annual % charged on total assets under management - the dominant, most predictable revenue source.
Portfolio Management Service (PMS) Fee	Recurring + Performance	1.0% -2.5% management fee + 10-20% performance fee (above hurdle)	Management fee on discretionary equity portfolios, often performance-fee-linked
AIF (Alternative Investment Fund) Fees	Recurring + Performance	1%-2% + 15-20% performance fee (above hurdle)	Management + performance fee on Category I, II, III AIFs; illiquid long-duration mandates
Structured Product Fees	Transactional	1.5%-5.0% embedded structuring & distribution economics	Upfront fee on placement of MLDs (Market-Linked Debentures), structured notes, and bonds
Brokerage / Transaction Fee	Transactional	0.05%-0.50% per transaction	Per-trade commission on equities, bonds, derivatives, and currency
Lending Revenue (LAS / LAP / Margin)	Interest Income	1%-4% Net interest Spread	Interest income on loans against securities, property, or margin facilities extended to HNI clients
Pre-IPO / Co-Investment Access Fees	Transactional / Placement	1%-5% placement/access fee; allocation premium where applicable	Fees or premium spreads for facilitating access to pre-IPO placements, private equity co-investments, or ESOP monetization
Family Office Setup & Governance Fees	Fixed Fee	USD 10k-250k+ setup; USD 10k-100k+ annual retainer	Fee for establishing and administering a formal family office structure: legal, compliance, governance documentation
Advisory Fees			
Private Equity & Venture Capital Advisory	Advisory / Placement / Equity	1%-3% placement fee; 2%-5% success fee where applicable	Advising on direct PE/VC investments and fund-of-fund access; co-investment carry where applicable.
Real Estate & Alternative Asset Advisory	Advisory / Referral	0.5%-2% of deal value	Guidance on real estate investments, REITs, InvITs, farmland, and commercial assets; referral or advisory fee
Insurance Advisory Commission	Commission	0%-20% (typical global range) Can be higher (20-40%+) in distribution-heavy models	Placement commissions on life, term, and health insurance products

Cost Structure & Operating Leverage

Wealth management is one of the highest operating-leverage businesses in finance. Once the advisor team and tech platform are in place, every additional rupee of AUM adds revenue with almost no additional cost. This is why EBITDA margins expand dramatically with scale.

Employee Compensation *(RMs, research, advisory, bonuses)*	The largest cost driver; compensation scales with AUM but declines as % of revenue with operating leverage.	50 - 70%
Technology & Platform *(CRM, portfolio systems, portals)*	Enables scalability; upfront investment reduces marginal cost-to-serve.	5 - 10%
Compliance & Regulatory *(SEBI, KYC, AML, audits)*	Structural cost is increasing globally with tighter regulations.	3 - 6%
Business Development & Marketing	Varies by model; referral-driven firms operate at the lower end.	3 - 8%
Office & Infrastructure *(lease, travel, real estate)*	Declining with digital and remote advisory models.	2 - 5%

Profitability Benchmarks by Firm Type

Wealth management generates exceptionally high EBITDA margins because the marginal cost of serving additional AUM is near-zero once the advisor relationship is established. These benchmarks are used to normalize profitability across firm types before applying multiples.

25 - 35% EBITDA MARGIN	**15 - 30%** PAT (NET PROFIT) MARGIN	**0.50 - 1.00%** REVENUE YIELD ON AUM (FEE YIELD)
10 - 20% RETURN ON EQUITY (ROE)	**55 - 75%** COST-TO-INCOME RATIO	**45 - 65%** EMPLOYEE COST AS % OF REVENUE

*Benchmark ranges are derived from public disclosures of leading wealth managers and industry practice and should be interpreted as indicative ranges rather than company-specific guidance.

4. KEY PERFORMANCE INDICATORS (KPIs)

All valuation-relevant KPIs with formulas, definitions, and benchmarks

The KPIs below are the building blocks of every wealth management valuation model. Each one either directly inputs into a DCF assumption, informs a multiple adjustment, or supports a premium or discount decision.

AUM-Based KPIs

Net New Money (NNM)

FORMULA *Gross Inflows - Gross Redemptions*

VALUATION RELEVANCE Best single measure of organic growth – separates real business performance from passive market appreciation.

BENCHMARK: ~3 - 4% of opening AUM; >5% strong; >8% exceptional

NNM Growth Rate

FORMULA *NNM / Opening AUM × 100*

VALUATION RELEVANCE Normalised organic growth; directly plugged into DCF as the sustainable revenue growth assumption.

BENCHMARK: ~3 - 4% of opening AUM annually; >5% considered strong

Fee-Generating AUM

FORMULA *Discretionary + Advisory Mandate AUM only*

VALUATION RELEVANCE Subset of AUM that generates recurring fees; excludes non-advised assets; correct input for the fee yield calculation.

BENCHMARK: ~75%

Alternatives AUM %

FORMULA *Alternatives AUM / Total AUM × 100*

VALUATION RELEVANCE Fee yield amplifier: alternatives yield 1.5 - 3.0% vs 0.5 - 0.8% for plain MF AUM.

BENCHMARK: 28 - 31%

Market Appreciation vs NNM Split

FORMULA *NNM / Total AUM Growth × 100*

VALUATION RELEVANCE Quality of growth signal: NNM-driven growth is sustainable; market-driven growth reverses in downturns.

BENCHMARK: NNM should represent >40 - 50% of total AUM growth

Revenue & Profitability KPIs

Fee Yield / Revenue Yield

FORMULA *Total Revenue / Average AUM × 100*

VALUATION RELEVANCE Most critical revenue quality metric; measures pricing power; declining yield is the primary DCF risk.

BENCHMARK: 0.50% - 1.00% (50 - 100 bps)

Recurring Revenue %

FORMULA *Recurring Revenue / Total Revenue × 100*

VALUATION RELEVANCE Revenue quality signal: higher % = more predictable firm = premium multiple.

BENCHMARK: Typically, 70 - 85% globally

Client Quality & Retention KPIs

Client Retention Rate

FORMULA *AUM Retained YoY / Opening AUM × 100*

VALUATION RELEVANCE Single most important predictor of DCF terminal value; each 1% improvement compounds AUM long-term.

BENCHMARK: 92% - 97% globally; leading wealth managers achieve 97%+

Average AUM per Client

FORMULA *Total AUM / No. of Client Relationships*

VALUATION RELEVANCE Proxy for wealth tier and fee yield; UHNWI-focused firms command higher EV/AUM.

BENCHMARK: Multi-million USD for HNW-focused firms; varies by segment

Wallet Share

FORMULA *Firm AUM / Client's Total Investable Wealth × 100*

VALUATION RELEVANCE Depth of relationship: higher wallet share = lower competitive risk = higher retention.

BENCHMARK: ~30% - 40% typical; industry average ~39%

Operational Efficiency & Growth KPIs

RM / Advisor Attrition Rate

FORMULA *RMs Who Left / Total RMs × 100*

VALUATION RELEVANCE AUM portability risk: departing RMs take 40–70% of personal client AUM; above 20% = serious red flag.

BENCHMARK: Target <10% annually; leading firms operate ~4 - 6%

AUM per Relationship Manager

FORMULA *Total AUM / No. of Relationship Managers*

VALUATION RELEVANCE Operating leverage: more AUM per RM = EBITDA expansion without proportional headcount cost.

BENCHMARK: USD 70M - 100M (median advisor productivity)

Revenue per Employee

FORMULA *Total Revenue / Total Headcount*

VALUATION RELEVANCE Workforce efficiency proxy; rising metric = technology improving scalability.

BENCHMARK: ~USD 0.46M (industry benchmark)

Referral-Driven Client Acquisition %

FORMULA *New Clients from Referrals / Total New Clients × 100*

VALUATION RELEVANCE Referral-sourced clients have near-zero CAC and higher lifetime value.

BENCHMARK: ~70+% of new clients

5. VALUATION METHODOLOGIES

P/B, EV/AUM, EV/EBITDA, EV/Revenue, DCF, Capitalized Earnings

A wealth management firm's primary asset - client relationships and the AUM they represent - is entirely intangible. There is no factory, no patent, no physical inventory. Six methodologies are applied, typically in combination. Each one answers a different question about value.

Overview

Price-to-Book (P/B)	EV / AUM	EV / EBITDA	EV / Revenue	Discounted Cash Flow (DCF)
2.0x - 3.0x book (global); 4.0x - 8.0x (India listed) For firms with a material balance sheet – private banks, lending books.	**1.1 - 2.3%** Primary industry multiple globally; adjust for fee yield & concentration.	**5.4x - 7.5x** Primary PE/M&A benchmark; EBITDA must be normalized first.	**2.8x - 4.0x** Pre-profitability firms or cross-check; split recurring vs transactional.	**WACC ~6.1% (global); 10 - 12% (India)** Most rigorous method; terminal value drives 65–80% of total EV.

Methodologies

Price-to-Book (P/B) - When the Balance Sheet Matters

P/B compares a firm's market value to its net book value (shareholders' equity). In most industries, this is a key metric. In wealth management, it is only meaningful when the firm has a significant balance sheet - typically a private bank or bank-affiliated wealth management division with a lending book.

Formula: P/B = Market Capitalization ÷ Net Book Value (Shareholders' Equity)

- **When to use P/B:** private banks with balance sheet lending books (mortgages, margin loans, credit facilities) or wealth management firms with large treasury/investment portfolios
- **When NOT to use P/B:** pure-play, asset-light wealth management firms where book value is minimal, and the entire value lies in intangible client relationships - P/B will structurally understate the firm's value
- **Key adjustment:** separate the wealth management division's contributed capital from the overall bank's balance sheet before applying; the wealth management unit itself requires minimal regulatory capital

1.0x - 3.0x book	3x - 5x book	Not meaningful	4x - 8x book
Global private banks (balance sheet-heavy) Applicable where the lending/mortgage/credit book is material.	**India bank-affiliated wealth management, divisions** Universal bank cross-selling and parent brand drive premium.	**Pure-play wealth management (asset-light)** Minimal balance sheet – use EV/AUM or EV/EBITDA instead.	**India-listed pure-play (growth premium)** Asset-light + high ROE (25 - 45%) justifies a premium P/B.

EV / AUM - The Primary Industry-Specific Multiple

EV/AUM is the most widely used wealth management valuation multiple globally. It expresses enterprise value as a percentage of total AUM - capturing franchise value without requiring EBITDA normalization. Particularly useful when comparing firms at different profitability stages or where EBITDA is not yet stabilized.

Core Formula: Enterprise Value = Total AUM × EV/AUM Multiple

1.1%	1.6%	2.3%	2.6%
Small boutique / single-RM (<USD 500 Mn AUM)	**Mid-market wealth manager (~USD 500 Mn AUM)**	**Large wealth manager (~USD 5 Bn AUM)**	**Digital / Robo-Advisory platform**
High key-man risk; personal goodwill dominates; short track record.	Mid-tier scale reduces key-man risk; some recurring fee base.	Institutional scale & brand; high recurring-fee mix; strong retention.	Scalable, low marginal cost, but thin fee yield (0.25–0.50%).

EV / EBITDA - Secondary Multiple for Mature Profitable Firms

EV/EBITDA is the most commonly used cross-sector M&A multiple and the primary benchmark in PE-backed wealth management acquisitions. It allows comparison across firms with different capital structures. Critical prerequisite: EBITDA must be normalized before applying this multiple.

EBITDA Normalization - Mandatory Before Applying Any Multiple

- **Above-market owner compensation.** Owner-operators frequently pay themselves above the market rate to extract pre-tax profit. Normalise to a market-rate salary; the excess is effectively EBITDA.
- **One-time advisory or placement mandates.** Non-recurring fees inflate EBITDA in that year but will not repeat. Remove entirely.
- **Performance fee windfall years.** Bull-market performance fees are not sustainable. Use a 3-year weighted average, not a single peak-year figure.
- **Related-party revenue at non-market terms.** This will not transfer to an acquirer. Exclude completely.
- **Personal expenses on the P&L.** Personal travel, vehicles, and insurance booked to the firm are not business costs.

5.4x	6.3x	7.5x
Small boutique (~USD 1 Mn)	**Mid-market boutique (~USD 5 Mn)**	**Large boutique (~USD 25 Mn)**
High key-person/RM dependency and thin operating leverage cap appetite.	Greater AUM scale and operating leverage lower comp as % of revenue.	Scale, brand, recurring fee base and low concentration justify the premium.

EV / Revenue - For Pre-Profitability & Cross-Check Purposes

Revenue multiples are used when EBITDA is negative or inconsistent (e.g., early-stage digital platforms) or when comparing firms with different profit-sharing structures. Key insight: recurring revenue deserves a materially higher multiple than transactional revenue - apply separate multiples to each, then sum.

2.8x	3.3x	4.0x
Small boutique (~USD 1 Mn)	**Mid-market boutique (~USD 5 Mn)**	**Large boutique (~USD 25 Mn)**
Revenue is heavily transactional and RM-dependent – low end of range.	Growing recurring-revenue share and a broader client base lift the multiple.	Largest, most diversified book with the highest recurring revenue share.

Discounted Cash Flow (DCF) - The Most Rigorous Method

DCF models AUM growth, applies fee yield to generate revenue, deducts normalized costs to arrive at free cash flow, and discounts at WACC to get enterprise value. Terminal value typically drives 65-80% of total wealth management DCF value, making long-run assumptions the dominant risk in the model.

AUM Growth Rate - Years 1 - 5 *NNM + market appreciation; India structural tailwind*	**15 - 20% p.a.**
Fee Yield (Revenue ÷ AUM) *Model 3 - 8 bps/yr decline for fee compression – structural*	**0.9 - 1.1%**
EBITDA Margin (Steady State) *Rises with AUM scale; compensation ratio declines*	**22 - 26%**
Tax Rate *Standard corporate; adjust for jurisdiction*	**India 20 - 25%, Global 25 - 30%**
WACC *Risk-free rate + equity risk premium + firm-specific risk*	**India 10 - 12%, Global ~6.1%**
Terminal Growth Rate *AUM grows with nominal GDP + HNWI wealth formation long-run*	**India 4 - 6%, Global 2 - 3%**

The Terminal Value consideration

Terminal value represents 65 - 80% of the total wealth management DCF value. A 0.5% change in terminal growth rate or a 1% change in WACC can move enterprise value by more than the entire present value of near-term cash flows. Always present a scenario range (base/bear/bull) - never a single-point DCF output. The assumptions driving terminal value must be explicitly disclosed and stress-tested.

6. VALUATION DRIVERS, PREMIUMS AND DISCOUNTS

Quantified factors that raise or lower the multiple

The difference between a wealth management firm trading at 1.5% of AUM and one at 4.5% of AUM is not just scale - it is the quality, durability, and institutional depth of the business. The framework below quantifies adjustments to apply to any benchmark multiple.

Premium Drivers - Factors That Increase the Multiple

▲	**Recurring Revenue >70% of Total** Predictable, AUM-linked income not dependent on market activity or transactions
▲	**UHNWI / Family Office Client Mix** Higher fee yield, lower churn, alternatives penetration, deeper wallet share
▲	**Strong Alternatives Platform (AIF/PMS/PE)** In-house alternative products yield 1.5-3.0% vs 0.5 - 0.8% for plain vanilla.
▲	**Client Retention Rate >93%** Each improvement compounds the DCF terminal value significantly
▲	**High NNM Growth Rate** Organic growth beyond market returns validates the sales engine and brand strength.
▲	**Low RM Attrition** Long-tenured advisors with institutionally embedded relationships = lower AUM portability risk
▲	**Proprietary Technology Platform** Reduces cost-to-serve; creates switching costs; enables scalable client model
▲	**Listed / Publicly Traded** Liquidity premium + scarcity premium in markets with few listed pure-play wealth management firms
▲	**Geographic / Segment Diversification** Revenue across multiple geographies or segments reduces single-source risk.
▲	**Clean Regulatory Record** Acquirers pay a measurable premium for institutional regulatory cleanliness.

Discount Drivers - Factors That Reduce the Multiple

- ▼ **High Client Concentration**
  Single large client departure creates immediate, material revenue shock.
- ▼ **High RM / Advisor Concentration**
  AUM portability risk - these clients may follow the RM, not the firm
- ▼ **Founder / Key-Person Dependence**
  No succession plan; founder personally manages all key relationships
- ▼ **High Transactional Revenue**
  Cyclical, market-dependent income; cannot sustain EBITDA through a downturn.
- ▼ **Fee Yield Compression Risk**
  SEBI/MiFID/SEC pressure is structurally reducing achievable fee rates
- ▼ **Ageing Client Base**
  Generational wealth transfer risk - heirs frequently move AUM post-inheritance
- ▼ **Negative or Declining NNM**
  AUM declining despite market appreciation - signals fundamental business decay
- ▼ **Regulatory Violations / Pending Actions**
  SEBI/SEC/FCA investigation or adjudication order in force
- ▼ **Short Track Record**
  Insufficient history to validate NNM growth, retention, or advisory competence
- ▼ **No Technology Infrastructure**
  Paper-based; no client portal; high servicing cost; unscalable model.

7. RISK FACTORS AND REGULATORY LANDSCAPE

Business risks + a global regulatory framework overview

AUM Portability, Market Cyclicality & Fee Compression

Three interrelated structural risks drive the primary revenue uncertainty in any wealth management valuation:

- **AUM Portability:** In most wealth management firms, the client relationship belongs to the RM, not the institution. Client relationships are often tied to relationship managers, creating AUM portability risk upon RM departures.
- **Market Cyclicality:** Wealth management revenue is directly linked to equity market levels. Revenue is directly linked to market levels; declines in asset prices translate into lower fee income. Use a normalised 3-year average AUM - never peak-market AUM - when valuing
- **Fee Compression:** Advisory fees are structurally declining globally - driven by passive investing, robo-advisory at 0.25 - 0.50%, and regulatory mandates requiring fee transparency. Advisory fees are structurally declining due to passive investing, digital platforms, and regulatory transparency requirements.

All three risks are correlated: High RM concentration amplifies market cyclicality, which accelerates competitive pressure for fee compression. DCF models must address all three simultaneously.

Succession & Governance Risk

- **The problem:** Many founding-partner-led wealth management firms globally have no formal succession plan. A founder-RM departure or incapacitation can trigger immediate, significant AUM outflows
- **The solution - and its premium:** Lack of succession planning can materially impact valuation and deal outcomes.
- **Key M&A Consideration:** Absence of succession planning is the single most cited reason wealth management firms transact at below-market multiples globally

Product Suitability & Mis-selling Risk

- **The risk:** Recommending high-commission structured products over client-appropriate investments creates compounding regulatory, reputational, and legal risk
- **Regulatory intensity:** SEBI, FCA, and SEC have intensified scrutiny of AIF/PMS churning, commission-driven placement, and inadequate suitability documentation
- **Value impact:** Regulatory actions can materially impact firm valuation through reputational damage, client outflows, and legal exposure.
- **Due diligence requirement:** Any wealth management acquisition must include a thorough review of historical product recommendations, client complaints, and regulatory correspondence over at least the prior five years

Regulatory Landscape - Global Overview

The regulatory environment for wealth management is tightening structurally across every major jurisdiction. The consistent global direction: full fee transparency, fiduciary duty expansion, greater client suitability documentation, and intensified AML/CFT compliance.

Jurisdiction	Regulators	Key Regulations	Valuation Impact
Switzerland	FINMA	FinSA + FinIA (effective Jan 2022); ongoing FINMA supervisory rounds 2024-2025	Independent advisers now must register; client segmentation is compulsory; enhanced duty of care; and higher compliance costs for smaller private banks.
United States	SEC, FINRA	Investment Advisers Act; Regulation Best Interest (Reg BI, 2020); Dodd-Frank (2010)	Fiduciary duty expansion is reducing conflict-based revenue; M&A consolidation remains strong, with deal activity at record or near-record levels in recent years (DeVoe & Sica Fletcher data).
Singapore / Hong Kong	MAS, SFC	MAS FAA-N16; SFC Code of Conduct; AML/CFT Notice 626; MAS Cross-Border Business Consultation 2024-2025.	Cross-border restrictions tightening; Singapore emerging as preferred APAC booking centre - AUM migration benefit for firms with SG presence.
United Kingdom / Europe	FCA, ESMA	MiFID II (2018); MiFID III (in implementation); PRIIPs KID; FCA Retail Investment Review 2025	Full fee unbundling; UK trail commission ban (RDR, 2013) spreading via MiFID; several open investigations as of early 2026
UAE / Middle East	DFSA, ADGM	DFSA Conduct of Business Module; ADGM Financial Services Regulations; UAE AML/CFT National Action Plan 2024-2027	Regulatory infrastructure maturing; lower compliance burden vs Western markets - competitive advantage driving AUM migration to UAE structures from South Asia and Africa.
India	SEBI, AMFI, RBI	Investment Adviser Regulations 2020 (amended); PMS Regulations; AIF Regulations; SEBI and AMFI	Fee yield compression as trail commissions decline; firms on the distributor model face structural re-rating vs fee-only RIAs.

8. FUTURE OUTLOOK AND STRATEGIC IMPLICATIONS

AI, ESG, Tokenization, Wealth Transfer, Private Markets & India

1. AI-Driven Operating Leverage & Hyper-Personalisation

Context	Metric
Globally, believe AI will accelerate earnings growth over the next decade	**79% of wealth managers**
Projected by 2030 for AI-native firms vs. non-adopters	**EBITDA margin improvement**
ML models can now predict which clients will reduce AUM in the next 90 days, enabling proactive retention strategies that directly protect DCF terminal value.	**90-day prediction window**

RM Productivity Impact

AI reduces compliance documentation time, automates portfolio rebalancing, and generates client reporting at scale - freeing advisors to serve more clients without headcount growth.

Scalable Personalization

Wealth management firms are more likely to have adopted AI-driven hyper-personalization - portfolio customization previously possible only for UHNWI clients.

VALUATION IMPACT

Predictive retention models directly protect DCF terminal value by identifying at-risk AUM before it leaves the firm.

2. ESG Integration - From Product Label to Portfolio Methodology

Context	Metric
Global ESG-aligned AUM reached in 2025	**~USD 30Tn**
The newer generations HNWIs are actively allocating to ESG-aligned **and alternative asset classes**	**61%**

Now a Regulatory Requirement

MiFID III requires ESG preference assessments, and SEBI's sustainability disclosure framework applies to Indian-listed wealth management firms.

WHY THIS MATTERS FOR VALUATION

Wealth management firms with credible, institutionalized ESG platforms command an M&A premium - driven by their positioning to capture the USD 84 Tn intergenerational wealth transfer.

3. Tokenisation of Private Assets - The New AUM Category

PwC projects tokenized fund AUM to grow at 41% CAGR from USD 127 Bn (2025) to USD 715 Bn by 2030

Year	Tokenized Fund AUM (USD Bn)
2025	127
2030E	715

For wealth management firms, tokenization enables:

- Fractional access to private markets for HNI clients (previously UHNWI-exclusive)
- Higher fee yields at alternatives premium (1.5-3.0%)
- Deeper client lock-in via illiquid positions

FIRST-MOVER ADVANTAGE

Firms building tokenization distribution infrastructure today are expected to command an EV/AUM premium vs. non-adopters by 2028.

4. The Great Wealth Transfer - Risk and Opportunity

USD 84 Tn will transfer from Baby Boomers to Millennials and Gen Z globally over the next two decades - the largest intergenerational wealth transfer in recorded history

The risk for wealth management firms

81% of global next-gen HNWIs plan to switch their parents' wealth management firms within 1-2 years of inheritance. **Reasons:** 51% cite missing services; 41% cite poor digital tools

THE OPPORTUNITY

The newer generation clients acquired in their 30s generate 4-5x the lifetime value of clients first acquired in their 60s.

DCF IMPLICATION

Model a 10-15% NNM uplift for firms with demonstrably strong next-gen client engagement programmes

5. Private Market Democratisation - The Largest Revenue Opportunity

Private markets generate ~4x more profit per Bn dollars of AUM than traditional managers. By 2030, private market revenues are projected to reach USD 432.2 Bn: More than half of the total asset management industry revenues.

Model	Fee Yield Captured	Positioning
Proprietary Sourcing	1.5% - 3.0%	Full fee capture; structurally separated from competitors
Distribution-Only	0.3% - 0.8%	Share of fee-only; commoditized access model

INDIA IN FOCUS

Nuvama Wealth Management and 360 ONE WAM are building proprietary alternative access infrastructure that structurally separates them from distribution-only competitors.

6. India's Structural Wealth Management Growth Story - Once in a Generation

	Metric
India specialized wealth management AUM, FY24 to FY29 - an 18%+ CAGR	**USD 300 Bn - USD 1.6 Tn**
Millionaire households (+90% since 2021)	**8,71,700**
Ultra-rich individuals, Rs 167 lakh crore cumulative wealth	**1,683**
Mutual Fund AUM crossed this milestone	**₹68 lakh crore**
AUM growth - a more defensible base case than the global 6 - 10% norm	**15 - 20% p.a.**

Structural shift
Household savings formalizing from physical assets (gold, real estate) into professionally managed financial assets.

DCF IMPLICATION

For Indian wealth management firms, an AUM growth rate of 15 - 20% p.a. in the near term is a more defensible base case than the global 6 - 10% norm, making valuations in India structurally higher.

The Valuation Conclusion

A wealth management firm is, at its core, a compounding machine. Every year, AUM grows by ~15%, every year, fee yield is defended, and every year, 93% of clients stay - the present value of the business compounds at a rate most industrial businesses cannot match. The firms that will be valued higher in 2030 are those that today have the deepest client relationships, the richest alternative platforms, the lowest RM attrition, AI-native servicing infrastructure, and the foresight to engage the next generation of wealth holders before they inherit.

9. GLOSSARY OF KEY TERMS

Term	Definition
AIF Alternative Investment Fund	An Alternative Investment Fund (AIF) is a SEBI- regulated pooled fund investing in non-traditional assets like private equity, real estate, or hedge funds. In wealth management, it helps diversify portfolios and generate higher returns beyond public markets.
AUM Assets Under Management	Total market value of all client financial assets that a WEALTH MANAGEMENT firm manages or advises upon. Primary scale metric and denominator in the EV/AUM valuation multiple.
Carried Interest / Carry	Performance-based share of profits in alternative funds (PE, VC, AIF). Typically, 20% of profits are above a hurdle rate. Key revenue stream for AIF-operating wealth management firms.
Fee Compression	The structural, secular decline in advisory fee rates globally. Sica Fletcher baseline: 3-8 bps per year. Must be modelled explicitly in every wealth management DCF.
Fee Yield	Total annual revenue as a % of average AUM. The single most critical revenue quality metric. Formula: Revenue ÷ Average AUM × 100.
HNWI High-Net-Worth Individual	An individual with investable financial assets of at least USD 1 Mn globally. In India: INR 5 crore or above.
NNM Net New Money	Gross client inflows minus gross client redemptions. The most important organic growth indicator is independent of market appreciation or depreciation.
Normalised EBITDA	EBITDA adjusted to remove non-recurring items, above-market owner compensation, personal P&L expenses, and one-time revenue. Never apply a multiple to reported EBITDA.
PMS Portfolio Management Service	SEBI-regulated discretionary investment management in India. Min. INR 50 lakh. Management fee 1.5-2.5% + 20% performance above the hurdle.
SOTP Sum-of-the-Parts	Values each business division separately and sums the results. Applied to bank-affiliated wealth management divisions to isolate and value the wealth management unit independently.
VHNWI Very high net worth individuals	Those with a net worth of USD 5 Mn to USD 30 Mn
UHNWI Ultra High-Net-Worth Individual	An individual with investable financial assets of at least USD 30 Mn globally. In India: INR 25 crore or above. Highest-value, lowest-churn client segment.

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