# Practice Valuation Approach and Hypothetical Financial Structure

## Hypothetical Practice Profile

This profile represents a mature advisory firm with a strong recurring base and modest transactional exposure.

Financial Snapshot:
Fee-based advisory revenue: $750,000
Annuity trail revenue: $150,000
12b-1 revenue: $50,000
Transactional revenue: $50,000
Total gross revenue: $1,000,000
Households: 250
Average client age: 61

The household count supports diversification, while the demographic suggests planning depth but future decumulation considerations.

## Revenue Multiple Approach

This method values each revenue stream according to durability and predictability.

Fee-based advisory (2.6x): $1,950,000
Annuity trails (2.0x): $300,000
12b-1 fees (1.8x): $90,000
Transactional revenue (1.0x): $50,000

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Estimated Valuation (Revenue Method): $2,390,000

Recurring planning relationships command higher multiples, while transactional revenue receives a lower weight due to variability.

## EBITDA Cross-Check

Profitability confirms whether revenue valuation is supported by operational performance.

EBITDA margin: 35%
EBITDA: $350,000
Multiple: 6.5x
Valuation: $2,275,000

Strong margins indicate efficiency, scalability, and reduced reliance on the founder for daily operations.

## Final Indicated Valuation Range

Blending the two approaches provides a balanced framework.

Revenue Method: $2,390,000
EBITDA Method: $2,275,000

Final Indicated Range: $2.3M – $2.4M

Using a range acknowledges both revenue durability and operating performance.

## Example Deal Structure

This demonstrates how valuation converts into transaction terms.

Upfront payment (60%): ~$1.38M – $1.44M
Earn-out (40% over 3 years): ~$920K – $960K
Advisor involvement: Gradual 2–3 year transition

The structure aligns incentives, supports retention, and balances certainty with performance alignment.