M&A Fee Guide

Key Insights on M&A Advisory Fees in the Middle Market.

Contents

This Year's Highlights

- Despite rising costs, middle-market merger advisors found it harder to raise fee levels in 2024 than they did in 2023.
- Only 30% of firms said they raised at least one type of fee last year, compared to 38% the prior year.
- Half of all firms surveyed grew their revenue last year.
- Profitability levels remained roughly the same as in last year's survey, with 30% reporting increases.
- Average engagement fee levels both monthly and one-time increased over 2024.
- The average success fee increased slightly from the previous year.

O ver v iew

In 2024, middle-market merger advisors in North America largely held off making significant changes in their fee structures. From the start, it was set to be a transition year, with interest rates expected to peak and elections on the horizon in several countries, including the United States. While the firms were facing higher costs, especially for professional salaries, deal volume remained slow, so they didn't have a lot of pricing power.

Moreover, many firms had restructured their fees in 2023, moving from one-time retainers to periodic engagement fees to help cover costs in a market where deals took longer to close.

In this context, we found fewer firms raised their fees in 2024 than in 2023. Those who did adjust their rate cards mainly imposed modest increases in their engagement fees to keep up with inflation while meeting client expectations.

A noticeable thread of optimism ran through many of the advisors' comments. Client interest started to pick up when rates began to fall last summer, and with the U.S. election settled, many said they are preparing for a busy 2025.

"We're expecting interest rates to dip a bit, and we'll likely see more mergers and acquisitions," said Eric Seifert, the managing partner of Good Hope Advisors in Tenafly, New Jersey. "As the market gets more competitive, advisory fees may matter less—whether the seller covers them or the buyer picks them up to make their offer more attractive."

If we created an engagement letter based on the most common answers from this year's survey, we would include these terms:

- A monthly work fee of $5,000 to $10,000 that will be deducted from any success fee.
- A success fee with a specified minimum and a commission rate that decreases as the sale price increases (the Lehman Formula).
- The overall success fee would depend on the deal size:
  - 5.5% for a $5 million deal.
  - 3.8% for a $20 million deal.
  - 2.0% for a $100 million deal.
- The success fee is payable at closing.
- The client reimburses the cost of travel and accommodation.

Methodology

Since 2016, Vector has monitored the world of merger advisory fees through regular surveys of middle-market investment bankers, brokers, and other advisors.

The results in this report are based on a global online survey of middle-market M&A professionals in December 2024 and January 2025.

This North American version of the study focuses on the 289 responses from merger advisors in the United States, Canada and Mexico.

Three-quarters of these respondents work as investment bankers or business brokers. Many of them are leaders at their firms. The vast bulk (76%) are chief executives or managing partners. Most of the rest are partners, managing directors, or other senior leaders.

Most respondents (67%) mainly represent sellers, with 14% focusing on buyers and 19% splitting their business evenly. They largely come from firms with fewer than 20 employees that complete about five deals a year. A significant minority, however, work at larger firms and handle deals of $50 million and above.

Details of the respondents' demographics are in the appendix. Note that the figures in charts may not add up to 100% because of rounding.

Firm Financial Performance

Revenue

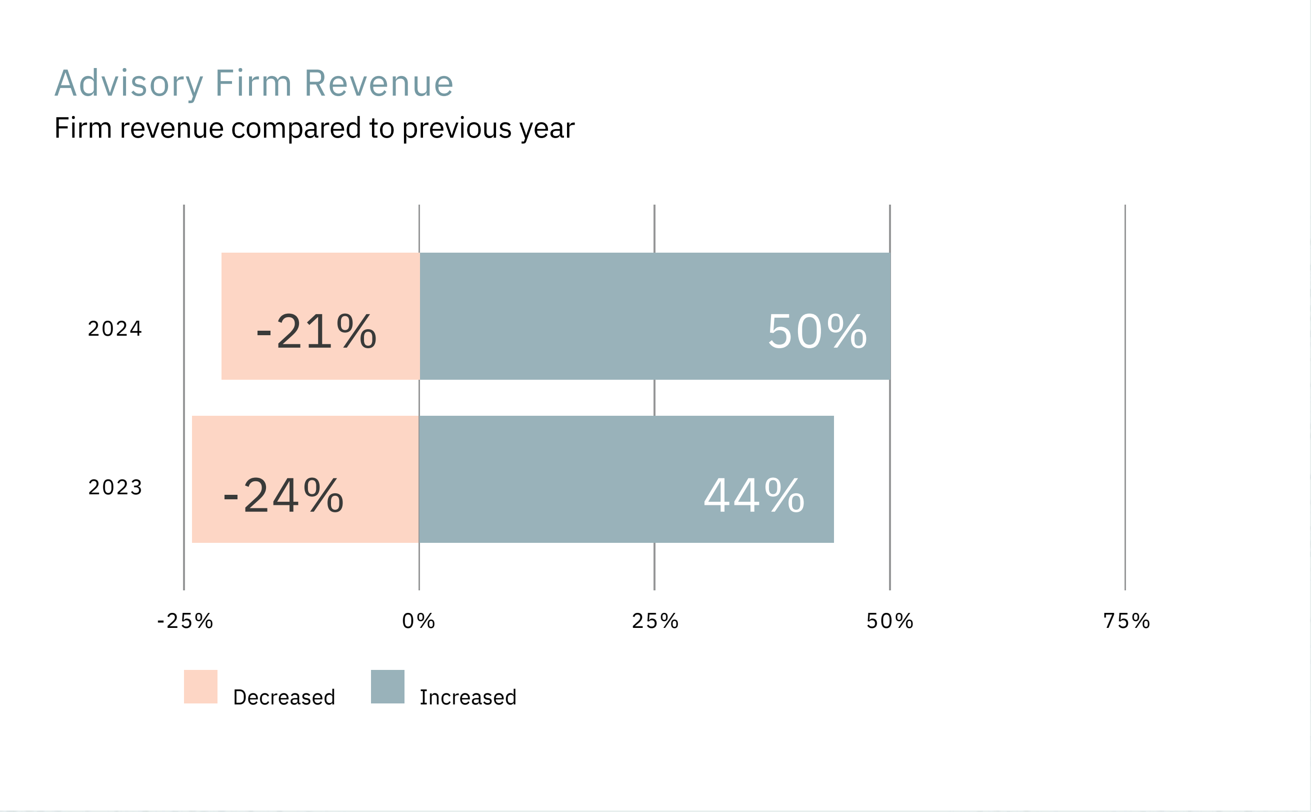
For smaller firms, the essential function of fees is to cover the costs of their operations. Accordingly, the level of revenue and expenses sets the essential context for any fee arrangement.

From that perspective, 2024 posed a challenging environment. Deal volume was slow, dragged down by high interest rates and political uncertainty. Many business owners and prospective acquirers were reluctant to commit to transactions.

While the post-pandemic inflation slowed during the year, wages in the finance sector and business travel grew briskly, putting pressure on advisory firm margins.

Still, half of the firms in our survey reported that their revenue grew last year, but 21% faced a decline.

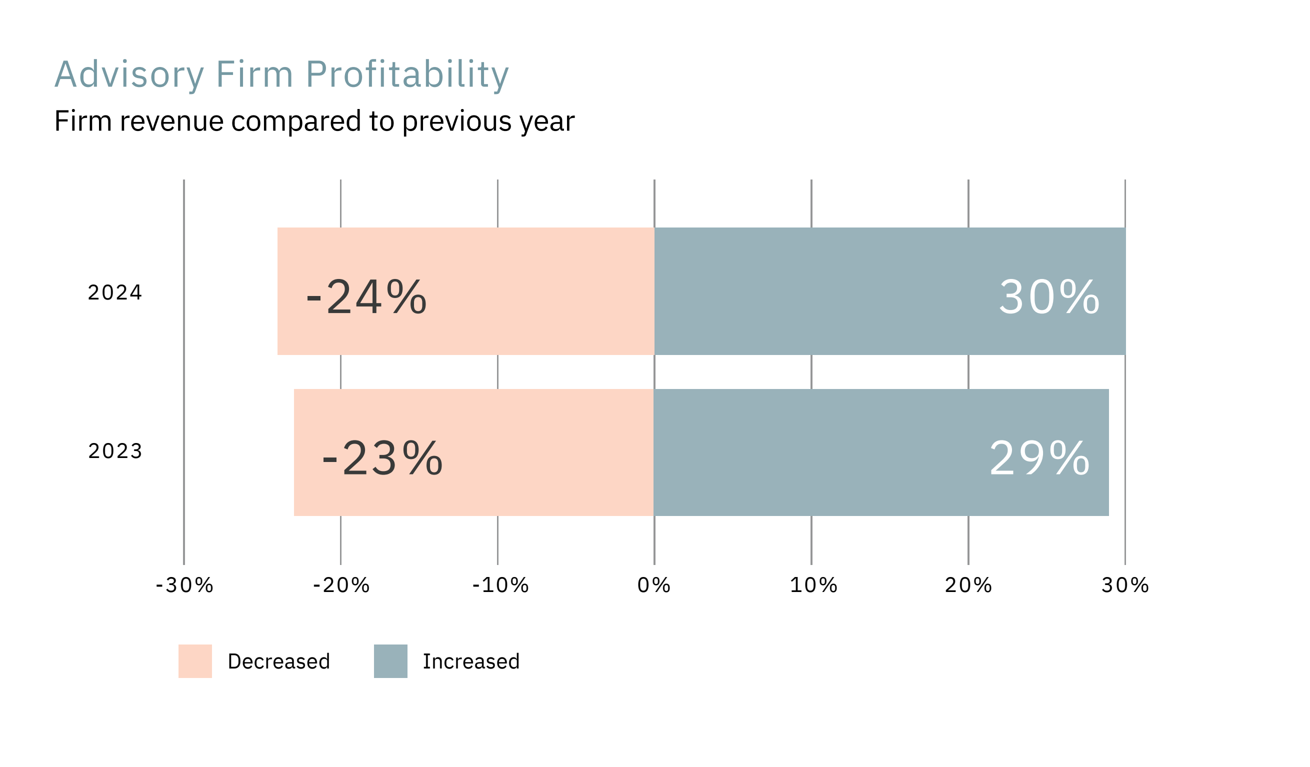
This
represents a somewhat higher proportion of firms reporting an increase in 2024 than in 2023.
The greatest gains went to the larger players. Worldwide, of firms with more than 20 employees, 64% enjoyed growing revenue.
Advisors at firms with growing revenue attributed their success to more aggressive marketing, fee increases, and a focus on seeking larger deals. Robert Mitchell, the owner of Premium Mergers & Acquisitions in Guelph, Ontario explained his firm's growth succinctly: "We hustled for more engagements."



Profitability

Growth in profits, however, was harder to come by. Profitability levels remained roughly the same as in last year's survey, with 30% of the firms we surveyed saying profitability increased and 24% saying it fell.

Again, larger firms performed a bit better. For example, 52% of firms that set a minimum deal size of $20 million or higher enjoyed higher profits.



Obser vations

The difficulty in completing transactions

> Getting deals across the finish line has been tougher. Interest rates have been all over the place, and many buyers still expect the kind of multiples we saw a few years ago, which adds to the challenge.
> ERIC SEIFERT, FOUNDER/MANAGING PARTNER, GOOD HOPE ADVISORS, UNITED STATES

> Founders were sitting on the fence, waiting for the U.S. election and for interest rates to drop. They worried they would be selling into a down market with reduced valuations.
> TERRY MOCHERNIAK, MANAGING DIRECTOR, APEX CAPITAL ADVISORS INC., CANADA

Obser vations

How firms increased revenue

> We expanded our presence through search engine optimization and other marketing efforts, added an additional six associates, and now have representation in 16 countries.
> WARREN ROSE, SENIOR PARTNER, GROCE, ROSE & MOORE, LLC, UNITED STATES

> Our firm has been moving upmarket in terms of deal sizes, which has led to our average fee increasing.
> ERIK ENDLER, HEAD OF M&A/MANAGING DIRECTOR, TOWER PARTNERS, UNITED STATES

The challenge to profitability

> The biggest pressure on our profit margin is always hiring and retaining smart and motivated professionals. Compared to personnel costs, all other costs are modest.
> STEVE LEE, MANAGING DIRECTOR, LAYER 7 CAPITAL, UNITED STATES

Fee Level Changes

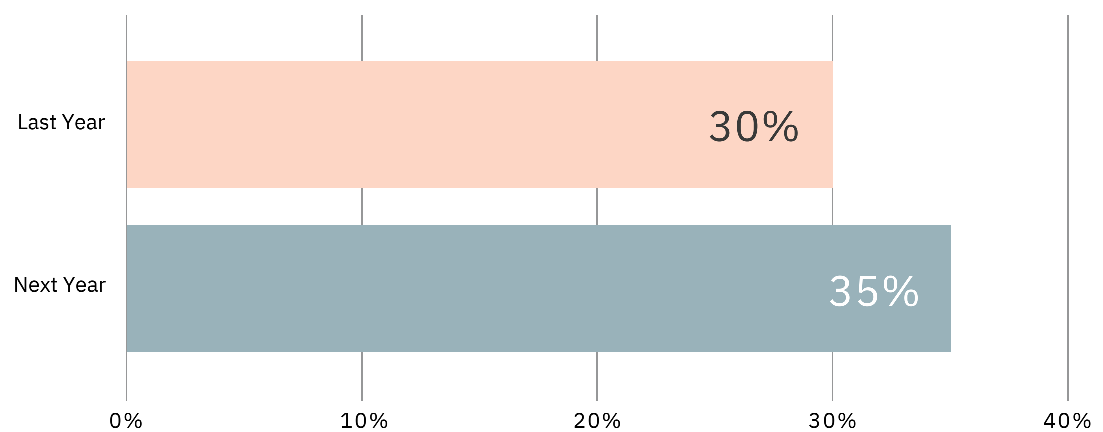
In 2023, many middle-market firms rethought their fee structures, raising rates and shifting from one-time retainers to periodic work fees. 2024 saw fewer changes. Last year, 30% of firms surveyed raised at least one fee, down from 38% in 2023. Larger firms were somewhat more likely to have raised fees.

Looking at the types of fees, 60% of firms that charge hourly fees increased their rate in 2024, while only 25% of those with milestone fees imposed rate hikes last year.

When we asked whether the advisors plan to raise fees in 2025, 37% said they will. Again, those with hourly fees were most likely to expect an increase.

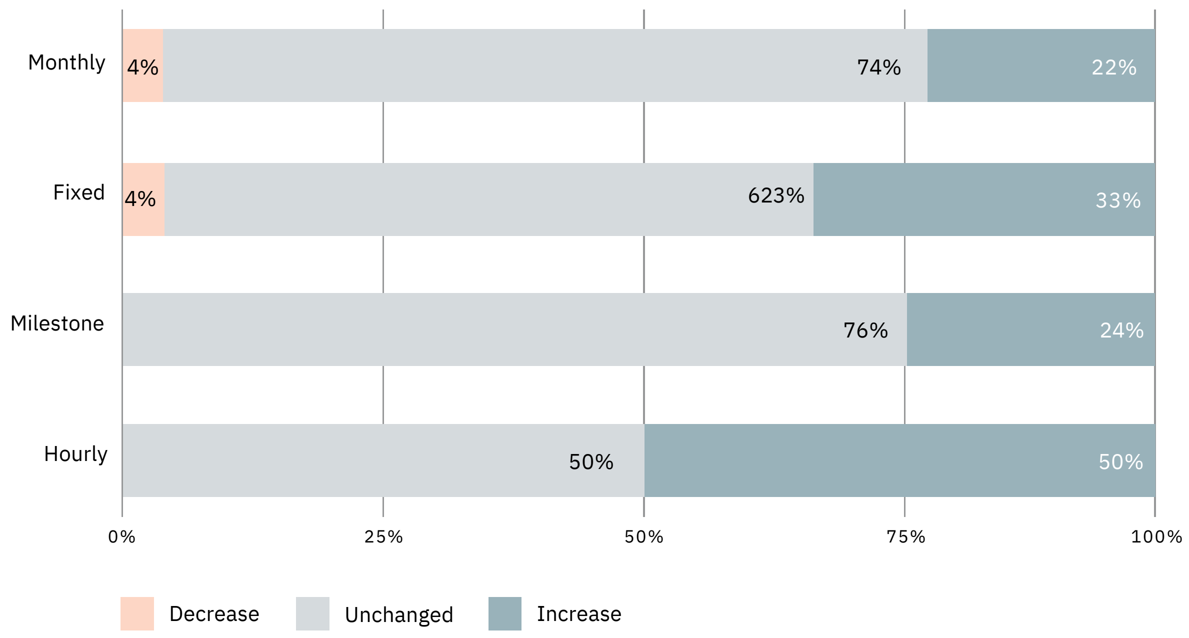
Raised Any Fee

Has at least one type of fee been increased in 2024; Will any type of fee be increased in 2025



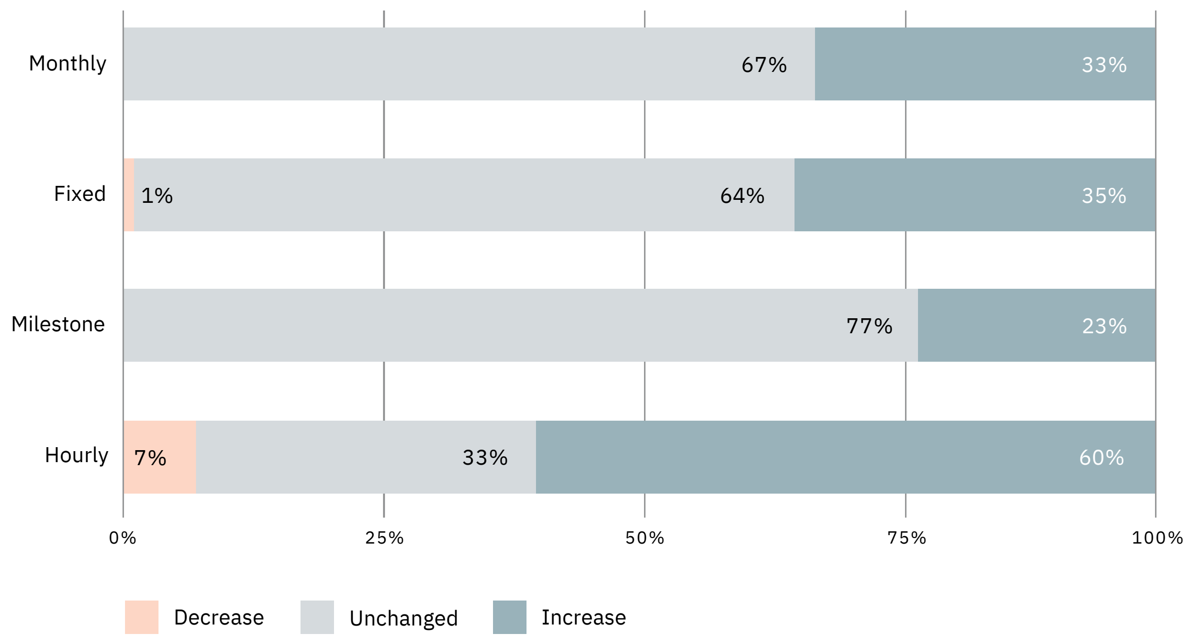
Engagement Fee Changes in 2024

How advisors changed levels of engagement fees



Expected Engagement Fee Changes in 2025

How advisors expect to change fee levels in the coming year



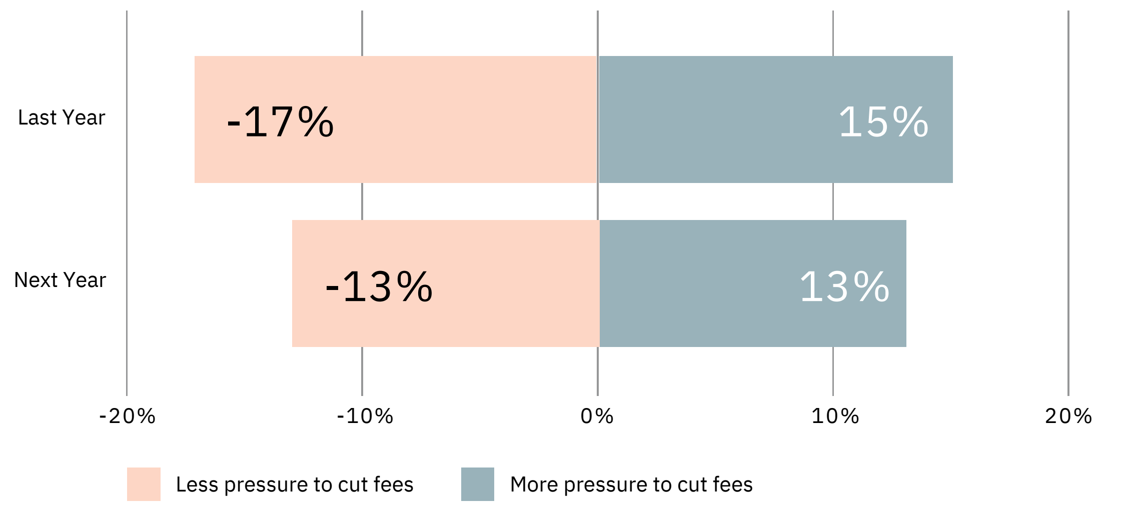
Pressure from clients to cut fees

Advisors told us that, as much as they would have liked to increase their fees to cover their rising costs, they often faced pushback from clients, many of whom were confronting similar inflationary forces. Despite this, our survey respondents generally said that the pressure from clients to cut fees was about the same in 2024 as in 2023.

However, 30% of firms that mainly serve buyers reported an increase in fee pressure, up from 11% in 2023.

Pushback on Fee Levels

Whether there is more or less pressure from clients to cut M&A fees compared to a year ago



Handling fee negotiations

We asked advisors what adjustments, if any, they make to their fees when clients ask for a break. About half said their fees are non-negotiable. The rest described several approaches to accommodating the request. Some offer a relatively minor tweak to the rate or terms of the engagement. Others will offer a choice of structures, such as a tradeoff between the levels of the success fee and the upfront work fees.

Obser vations

Reaction to fee increases

> We've tried to push our retainers higher, which has led to clients asking them to be credited against the success fee. We normally compromise with crediting 50%.
> MANAGING DIRECTOR, UNITED STATES

Keeping fees constant

> More clients are asking for a rebate of retainers than in prior years, so there is no point in trying to raise them.
> MANAGING DIRECTOR, UNITED STATES

Sharp declines in fees

> The fees charged in the market are being reduced considerably as clients search for any way to reduce their transaction costs.
> CARLOS MARCOS IGA, SENIOR PARTNER, INTERVO, MEXICO

Refusing to negotiate fees

> I don't adjust my fees. Instead, I'll refer clients to other firms if my structure is not acceptable.
> GREG DESIMONE, PRESIDENT, CATAPULT ADVISORY GROUP, UNITED STATES

Offering options to clients

> We will occasionally cut our monthly retainer and success fee. Sometimes, we will use a tiered success fee, which accelerates over a certain valuation so that clients feel like we are pushing for the highest value.
> TERRY MOCHERNIAK, MANAGING DIRECTOR, APEX CAPITAL ADVISORS INC., CANADA

> For bigger deals, we're open to flexible fee structures to help address seller concerns. But smaller deals can take just as much—if not more—time and effort, so we have to be thoughtful about structuring fees in a way that makes sense given the deal size, seller expectations, and our confidence in closing.
> ERIC SEIFERT, FOUNDER/MANAGING PARTNER, GOOD HOPE ADVISORS, UNITED STATES

Engagement Fees

Over the last two years, middle-market firms have been moving away from one-time fixed retainers to other structures that provide more consistent income while they are working on deals.

In 2024, it was still slightly more common for firms to use fixed fees, but that structure was used by

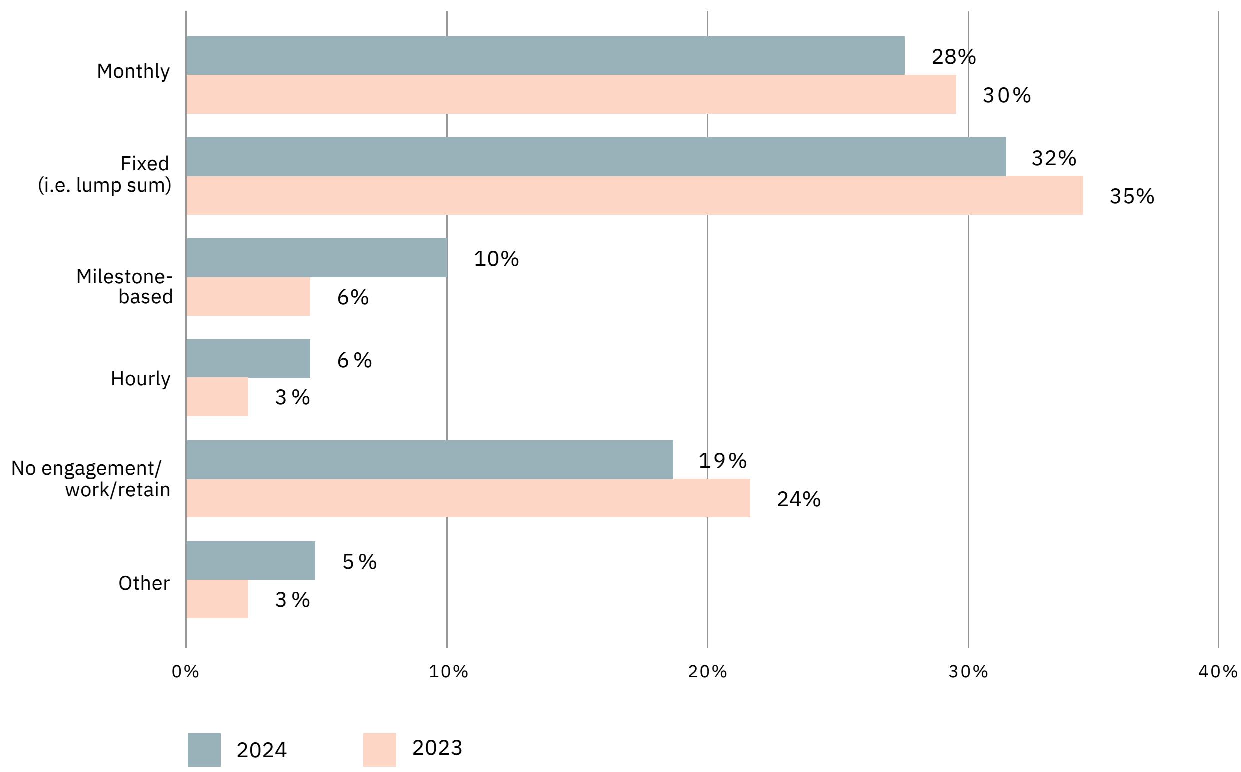
32%

of firms, down from 43% two years earlier. Milestone fees—where set amounts are paid at specified stages of a deal—continued to grow in popularity, used by 10% of firms, up from 6% in 2023.

About one in five firms say they do not charge work fees and instead depend solely on the success fee—or commission—on a completed transaction.

Engagement Fee Structure

The type of work fee charged, if any



How firms choose an engagement fee structure

We asked a series of questions to probe how middle-market merger advisors select the structure and levels of their engagement fees. The most common answers all revolve around managing the risk of a small firm depending too much on the unpredictable stream of success fees:

- **To cover operating costs.** Work fees can help a firm keep a positive cash flow. “We don’t give freebies,” said Brent Holliday, the CEO of Garibaldi Capital Advisors in Vancouver, British Columbia. “We are very busy in late 2024 and would not accept a zero work fee file and likely will not in 2025.”
- **To account for the work each deal requires.** “Our fees depend on the size of the client and the perceived difficulty of the transaction,” said Frederick Fink, a managing director of Newport LLC in Charlotte, North Carolina.
- **To compensate for deals that are delayed or don’t close.** Smaller firms, in particular, can’t afford to spend scarce time on a project and eventually earn nothing for it.
- **To ensure the client is serious.** “It is vital that sellers acknowledge the amount of effort and expertise that go into a transaction,” said Andre Ulloa, the managing director of M&A Healthcare Advisors, Calabasas, California. “A nominal, one-time payment provides a tangible commitment to the process.”

Obser vations

Benefits of monthly work fees

“ The monthly retainer fees on the sell side are to make sure the entrepreneur stays focused on the process.
NICK NARDI, MANAGING PARTNER, NORTH AMERICA, WTA PARTNERS

Benefits of fixed work fees

“ We prefer fixed fees because our clients like knowing their fixed costs.
JAMES ZIPURSKY, CHAIRMAN & CEO, CFA WORLDWIDE, UNITED STATES

“ Our upfront retainer is mandatory. When we invest time, money, and political capital into a transaction, we don’t want to find out we were not provided the entire story from the outset.
KEN HONEYMAN, CEO, RIGSIDE ENERGY PARTNERS, LLC, UNITED STATES

Benefits of milestone work fees

“ Clients prefer milestones to an upfront retainer, and it’s not much of a concession.
GEOFF LING, MANAGING DIRECTOR, MERRIMACK GROUP, UNITED STATES

Engagement fee levels

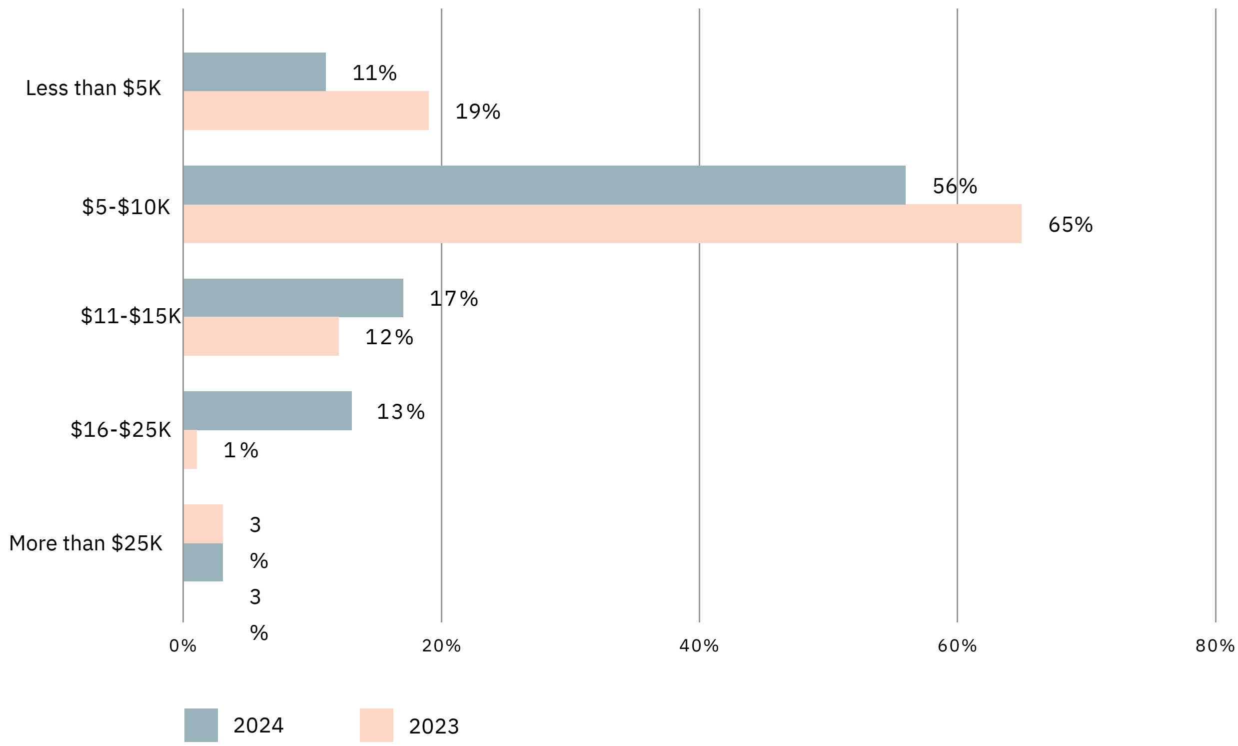
The typical amounts firms charge for both monthly and one-time fixed fees increased in 2024. While the most common monthly fee remained between $5,000 and $10,000, the number of firms charging $16,000 or more per month tripled to 15%.

Similarly, 40% of firms using fixed fees now charge more than $26,000, up from 30% last year. The most common fixed fee remains between $5,000 and $10,000.

Larger firms and those with higher minimum transaction sizes also had higher-than-average fees.

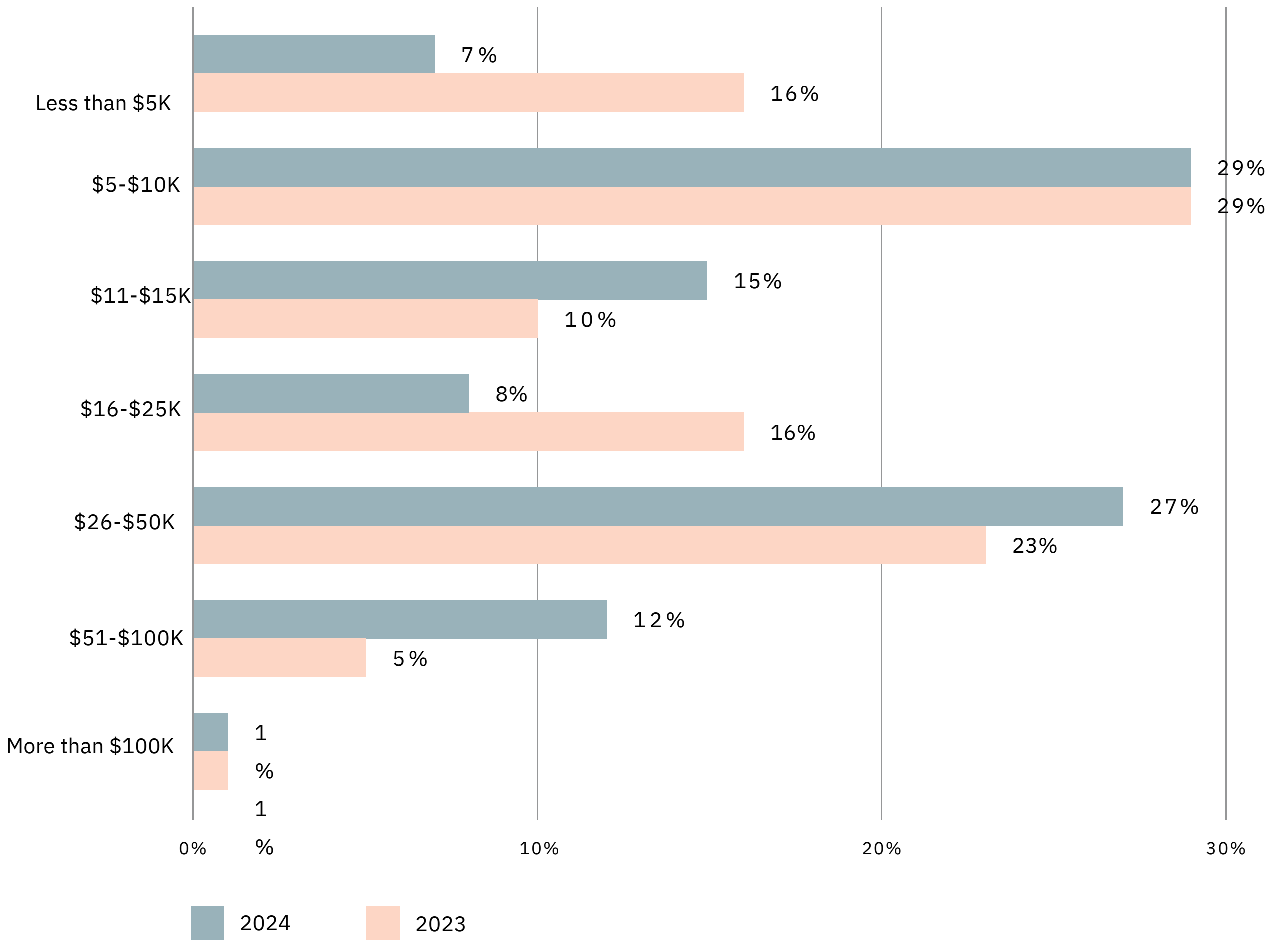
Monthly Fee Levels

Most common monthly fee



Fixed Fee Levels

Most common fixed engagement fee



Milestone fees

While milestone fees are too complicated to reduce to a single price level, we did ask advisors who use them to describe the structure they prefer. Most commonly, they said they identified three or four milestones that would trigger fees, although the examples provided showed a range between two and nine distinct milestones.

The most common milestones mentioned included starting the engagement, completing marketing materials, receiving indications of interest, signing letters of intent, and closing the transaction.

Obser vations

Examples of milestone structures

> Typically, one-third of the fee is due at the signing of the engagement agreement, one-third when marketing materials are completed, and one-third when an LOI is signed.
> RON EDMONDS, PARTNER, PRINCIPIUM | WHITE OAK, UNITED STATES

> After 30 days, or when we agree with our clients on the final CIM [Confidential Information Memorandum], we charge a retainer. When the seller memorializes an LOI, we charge another "milestone fee." These payments, which each can range from $5,000 to $10,000, are primarily symbolic to fortify the high mutual commitment. When the transaction closes and funds, we credit both the retainer and milestone.
> ANDRE ULLOA, FOUNDER AND MANAGING DIRECTOR, M&A HEALTHCARE ADVISORS, UNITED STATES

Success Fees

Generally, firms earn the bulk of their revenue from success fees tied to the value of a completed transaction. The most common structure in the middle market—used by 44% of firms in our survey— is what is known as the "Lehman Formula," where the commission rate decreases as the deal size increases. In its classic version, the fee is 5% for the first $1 million, 4% for the second million, and so on, with a 1% rate for all amounts over $5 million.

Some advisors still use that exact version. Many say they use "Double Lehman," where the rates start at 10% and fall to 2%. And there are many variations.

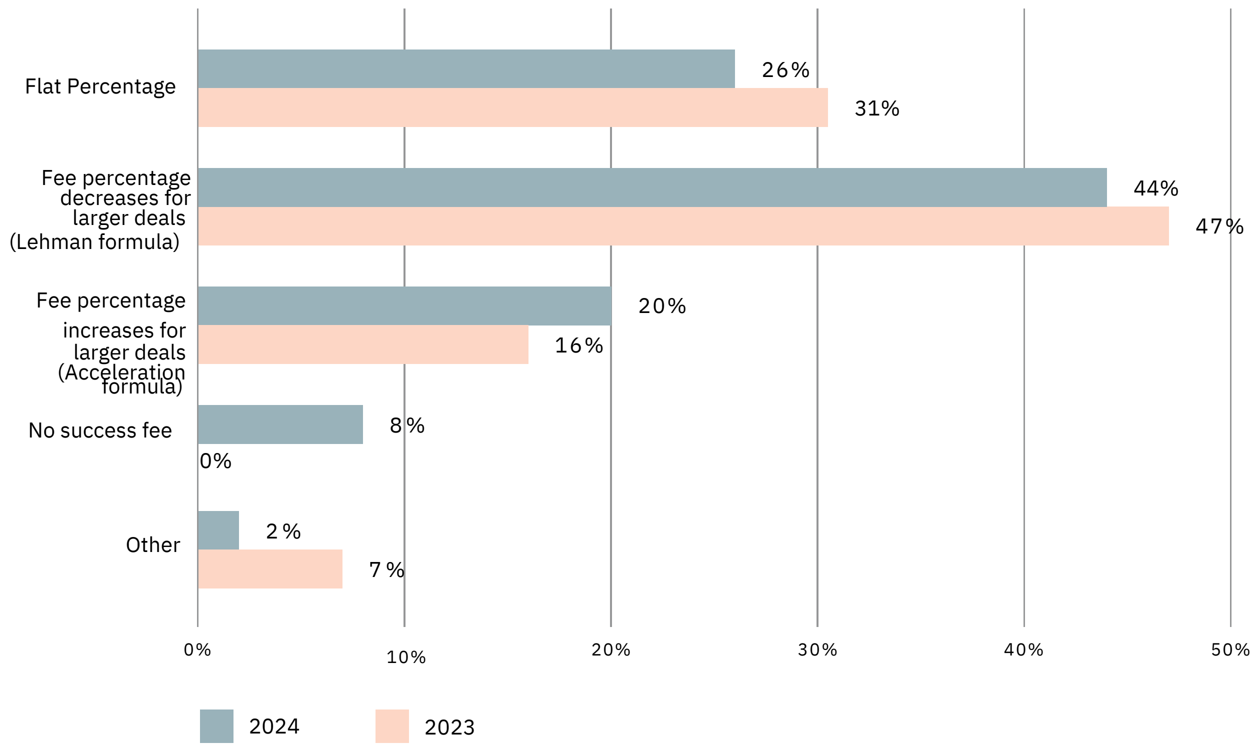
The converse—an accelerator formula where the commission increases when the deal size is over a set amount—is becoming more popular in the middle market. In 2024, 22% of the advisors surveyed used this approach, up from 16% the year before.

The most straightforward approach—a flat percentage regardless of deal size—was used by 26%.

Among firms that primarily serve the buy-side, 20% don't charge a success fee at all.

Success Fee Structure

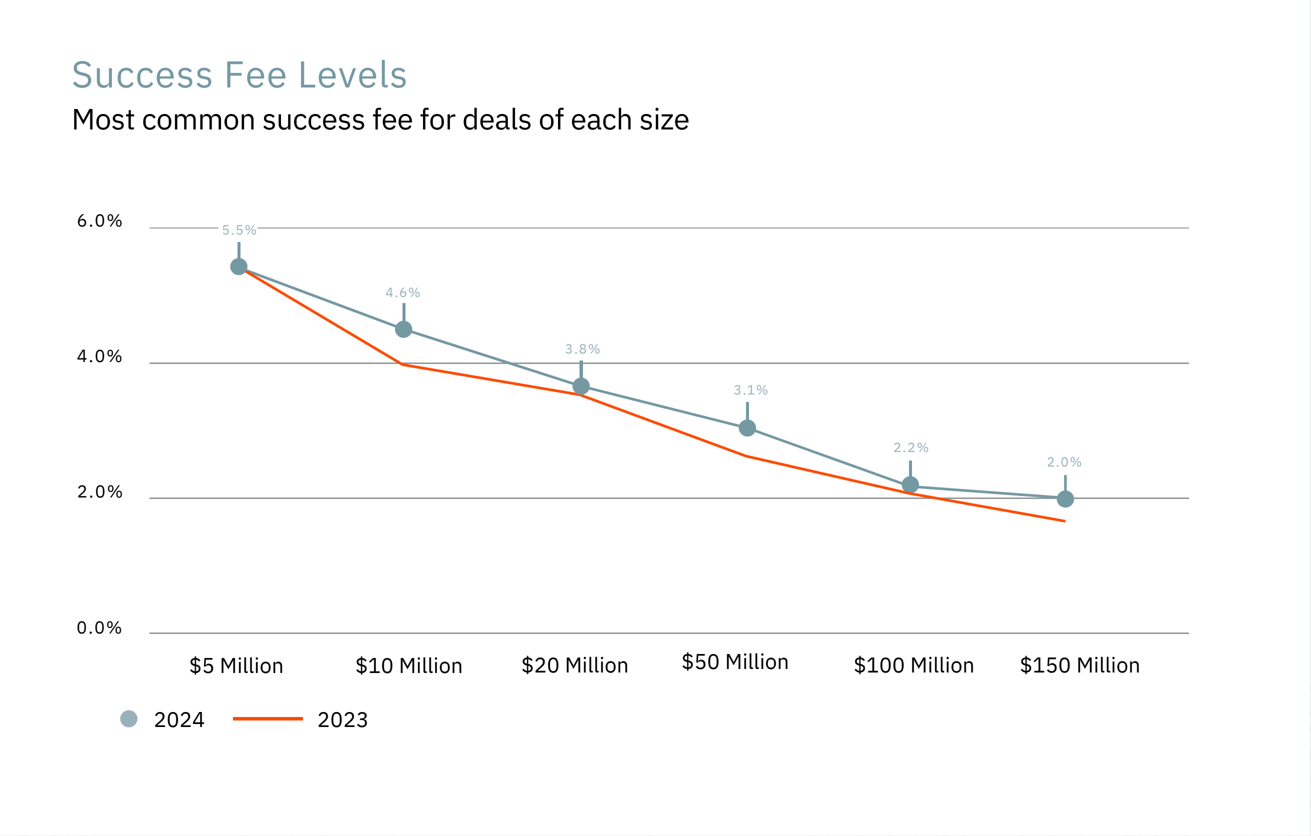
The type of success fee charged, if any



Success fee levels

To understand the impact of the various formulas, we asked the advisors to estimate their effective success fees for deals of various sizes. The answers range from 5.5% for a $5 million deal to 2.0% for a $150 million transaction. Generally, at every deal size above $5 million, this year's fee levels were slightly above last year's responses.

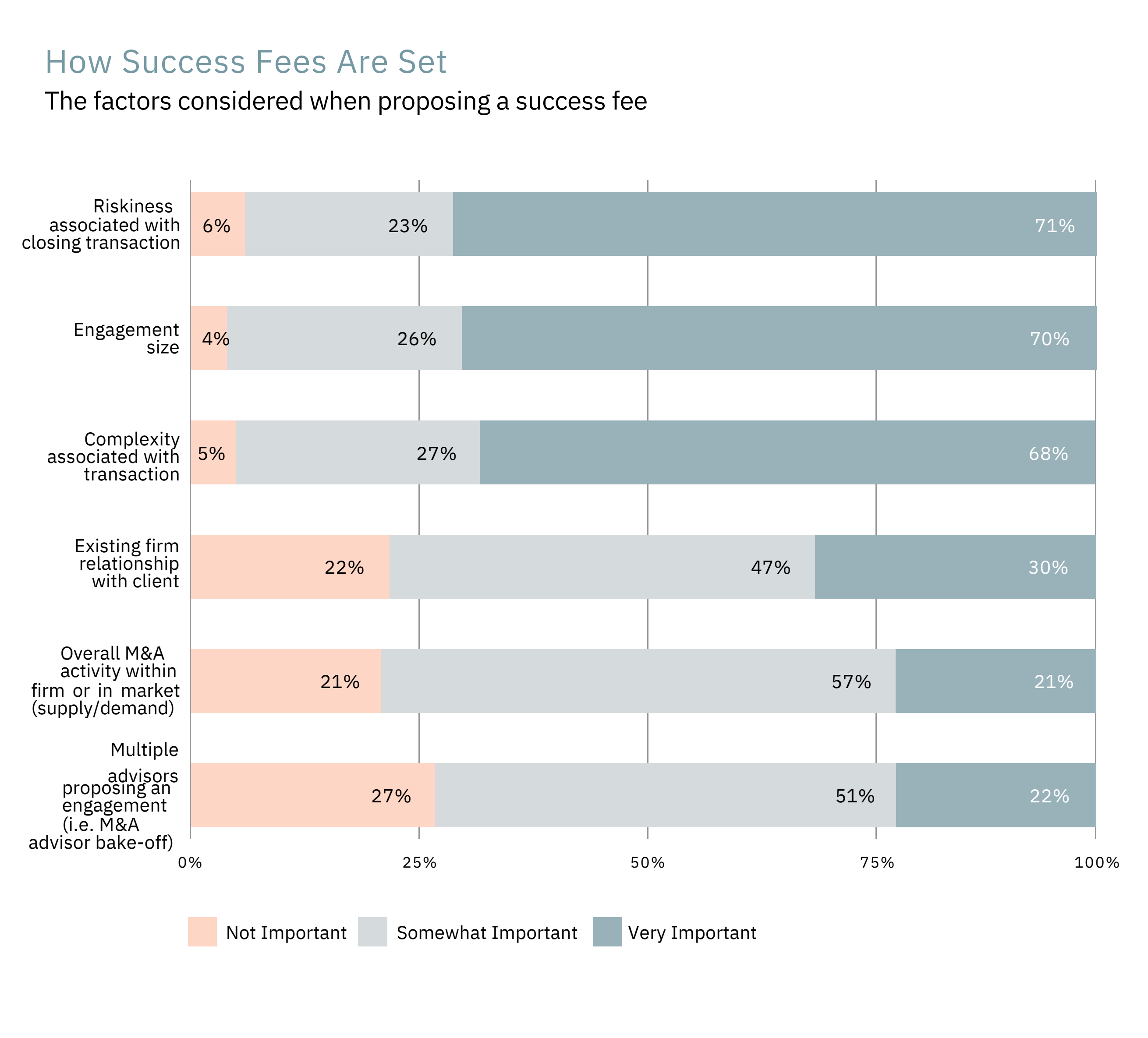
Interestingly, the formula used to calculate the success fee—Lehman, accelerator, or flat rate—had very little effect on the average effective fee level, regardless of the deal size.



Factors considered setting success fees

When setting their success fees, firms consider three factors as critically important: the risk of the deal not closing, its size, and its complexity. Far less important are the firm's relationship with its client, the level of M&A activity, and whether they are being asked to bid in competition with other firms.

Only 30% of North American firms said the client relationship was an important factor, but that's higher than in Europe, where only 17% of firms consider that an important factor for adjusting their fees.



Obser vations

Determining success fee levels

> Our success fees are based on my belief that I can sell this specific company, given what I know about its financial situation, business operations, and environment. You have to decide what your time is worth and factor in the possibility that a deal may not close.
>
> MATT SLAPPEY, MANAGING PARTNER, SOUTHEAST BUSINESS ADVISORS, UNITED STATES

> I try to remain competitive in the market while pricing in a manner that rewards my firm for the value provided. I also price and select projects to maintain a fair work-life balance. We are not looking to grind ourselves to the bone.
>
> GREG DESIMONE, PRESIDENT, CATAPULT ADVISORY GROUP, UNITED STATES

Choosing a success fee formula

> Our success fees are based on a combination of complexity, risk, and the resources needed to consummate a transaction. A modified Lehman scale makes the most sense since the amount of work or deal complexity does not necessarily increase with deal size. We sometimes create incentive fees based on above-market outcomes.
>
> STEVE LEE, MANAGING DIRECTOR, LAYER 7 CAPITAL, UNITED STATES

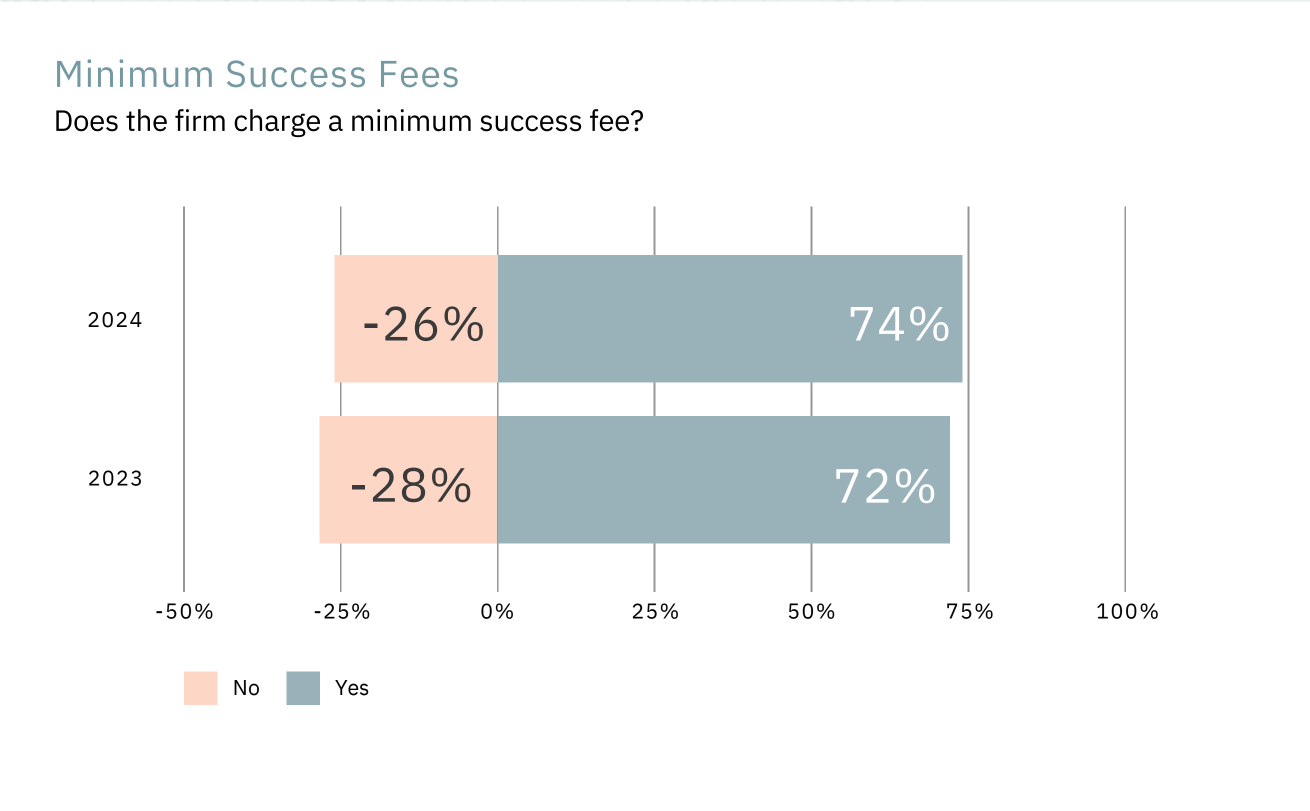
> The Lehman Formula is a model that we've been comfortable with. When we've attempted to move to other structures, we get more pushback on fees.
>
> MICHAEL VANN, PRESIDENT, THE VANN GROUP, UNITED STATES

Success fee only

> We keep our fee structure straightforward—we only charge a standard fee upon the successful completion of a transaction. This ensures our firm remains fully aligned with our clients' interests and accountable for delivering results. The only exception to this structure would be for clients requiring extensive business consulting services beyond exit negotiation and closing support.
>
> JOE BIESHELT, SENIOR ASSOCIATE, THE VENTURE NORTH GROUP, UNITED STATES

Minimum success fees

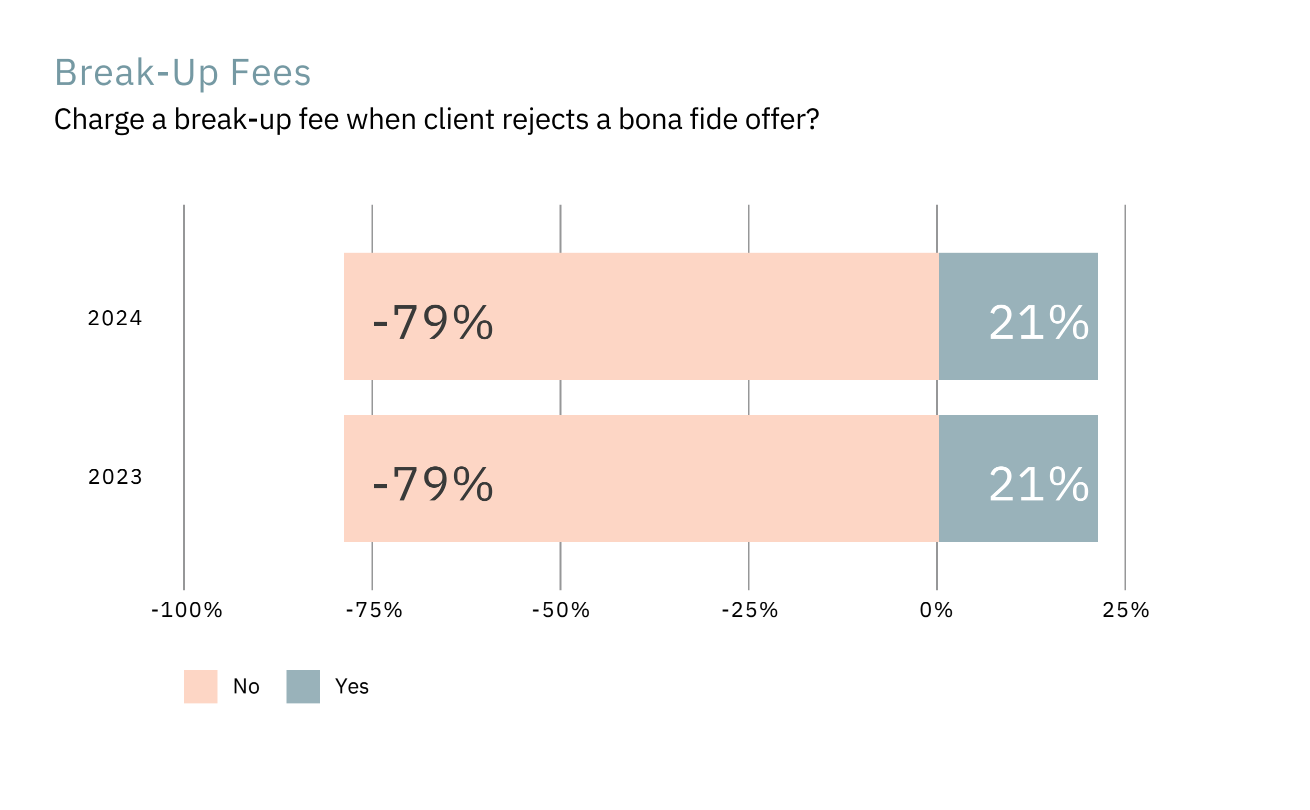
Only about one-quarter of middle-market firms surveyed write a minimum success fee into their engagement agreements, although the practice is more common among firms that exclusively handle deals of $50 million and above.



Additional Terms

Break-up fees

Among the most frustrating experiences for a merger advisor is having a client reject an offer that met their initial request. Of those we surveyed, 21% impose a break-up fee in those circumstances, about the same as the year before. The practice is more common in Europe and at firms with 20 or fewer employees.



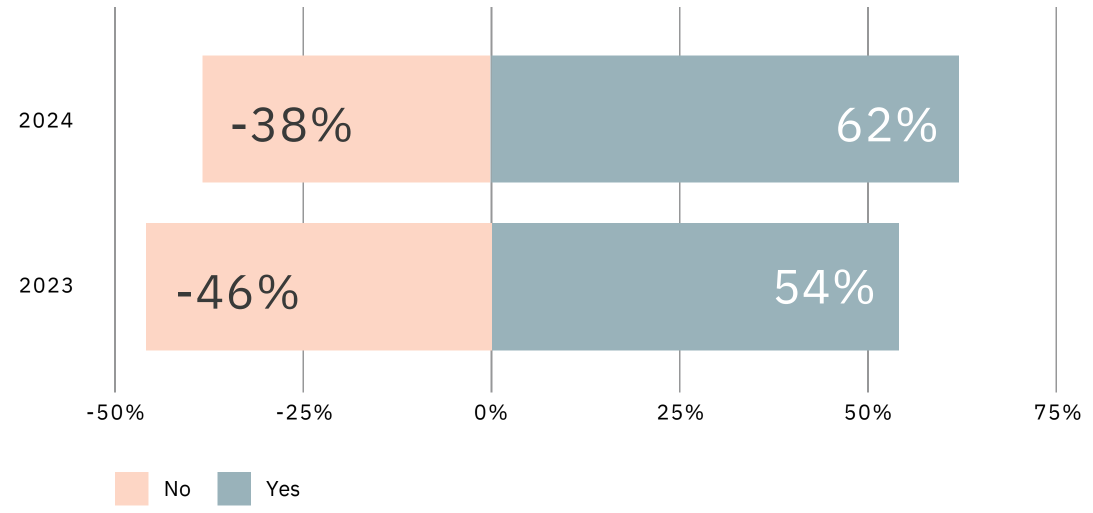
Deducting engagement fees from success fees

As we mentioned, one of the more common ways advisors react to pushback from clients on fees is to deduct some or all of the work fees paid from the ultimate success fee if the transaction is completed.

In our 2024 survey, 62% of the firms said they make these deductions. That's an increase from 54% in 2023, perhaps another sign that last year's market was less amenable to fee increases.

Crediting Engagement Fees Against Success Fee

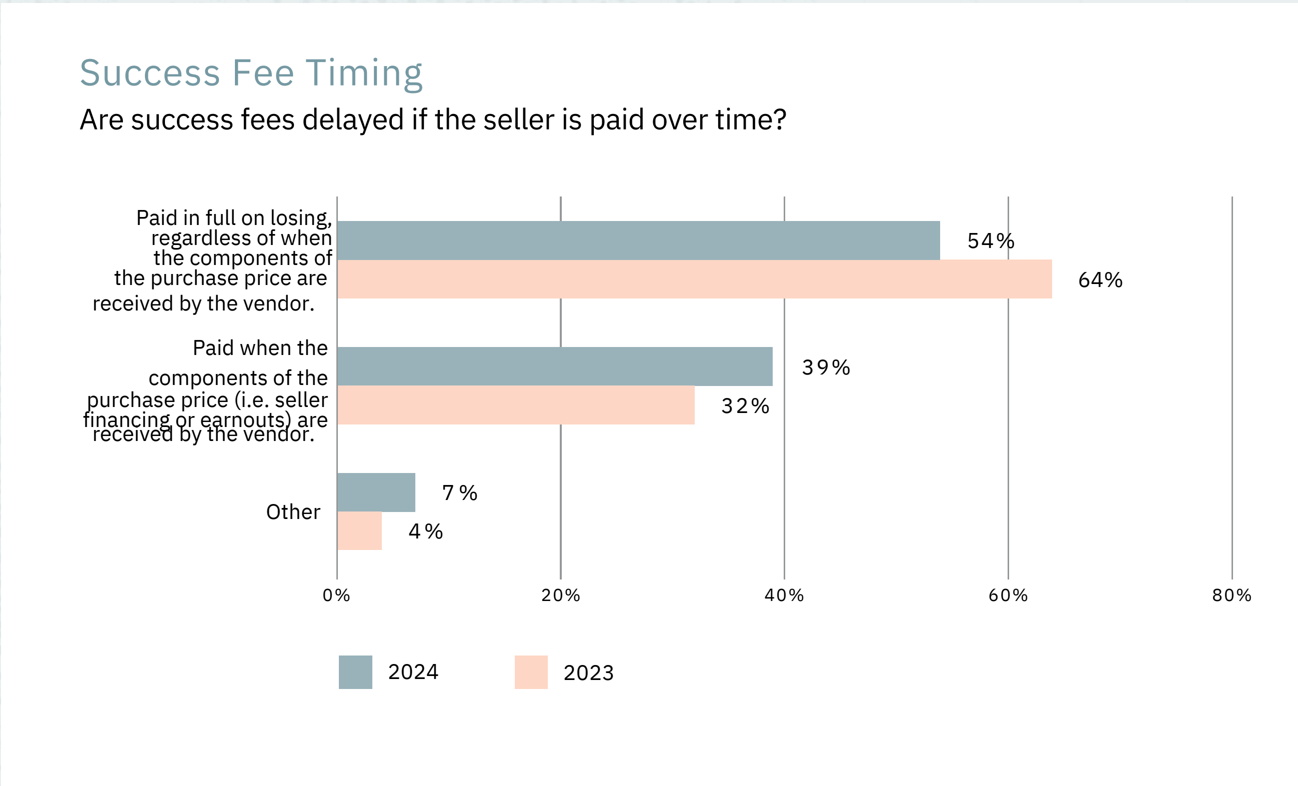
Does the firm deduct engagement fees from any success fee?



Timing of success fee payments

In slow times, one way to bridge the gap between what price sellers want and what cautious buyers are willing to pay is to negotiate an earn-out, where the payment is higher if the target company meets certain performance goals. Deals like this, and similar phased purchase arrangements, raise the question of whether the advisor's success fee should also be spread out over time.

In 2024, 54% of advisors insisted that the full success fee is due at closing, regardless of when the seller is paid. That's down from 64% the year before.



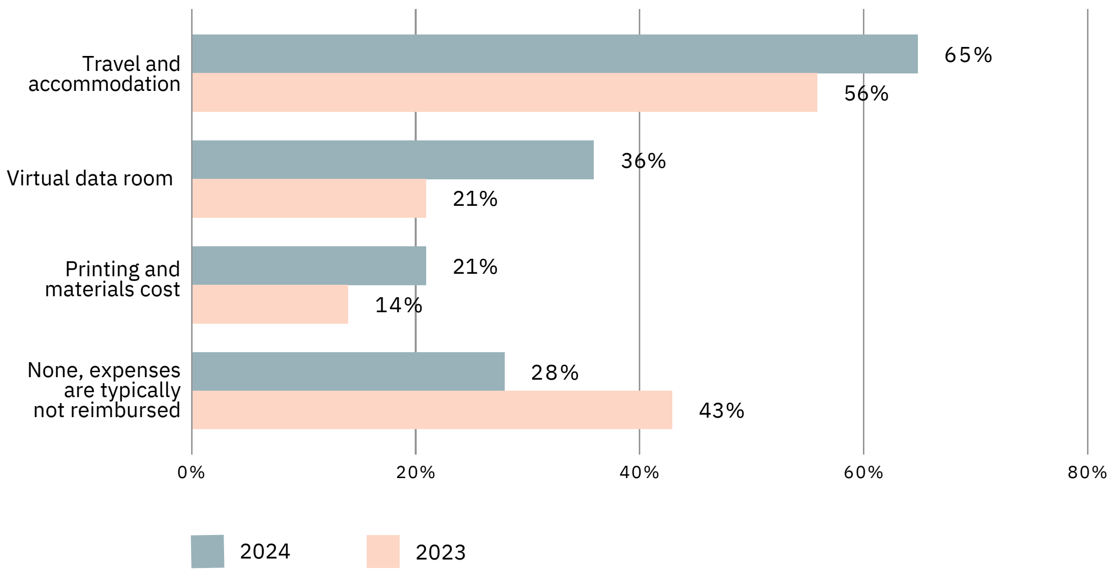
Charging for expenses

Last year, expense reimbursement was the one area where engagement agreements became more favorable to advisory firms. In 2024, only 28% of firms said they were not reimbursed for any of the costs incurred while working on a transaction, down from 43% in 2023.

Travel expenses were most commonly reimbursed, with 65% of firms passing these on to their clients. The cost of virtual data rooms is increasingly reimbursable as well. In 2024, 36% of firms charged clients for data room fees, up from 21% in 2023.

Reimbursable Expenses

Types of expenses that are commonly reimbursed by clients



2025 Outlook

The economic and political questions that weighed on financial markets in 2024 have not all been resolved in the early months of 2025. Yet the North American merger advisors we surveyed are quite bullish about their prospects for the year.

"For now, we plan to maintain our fee structure, but we feel that 2025 will be a great year," said Andre Ulloa, the managing director of M&A Healthcare Advisors in Calabasas, California. "There is a buzz of optimism regarding deregulation, improved labor markets, healthcare reforms, and efficiencies."

If deal volume does pick up, some think the effect on fees could be significant.

"We expect the M&A market to be very crowded in 2025," said Erik Endler, the head of M&A Tower Partners in Baltimore, Maryland. "Firms have reduced staffing over the M&A downturn of the past three years, so the best investment banks will be able to take a harder line in fee negotiations because there will be more deals than there are investment banking professionals to handle them."

Obser vations

Planning to raise fees in 2025

> We plan to increase the minimum monthly retainer to $7-$10K, partially deductible against the success fee. We will raise the firm minimum success fee to at least $300K due to strong deal flow and constraints caused by certain sellers accepting lower-than-expected offers against our advice.
> TAYLOR HESS, PRESIDENT, STONEBRIDGE BUSINESS ADVISORS, UNITED STATES

> I expect our success fees to stay the same this year, but we may increase the initial retainer and/or monthly fees to cover increasing costs.
> MATT SLAPPEY, OWNER, SOUTHEAST BUSINESS ADVISORS, UNITED STATES

Raising fees only for new clients

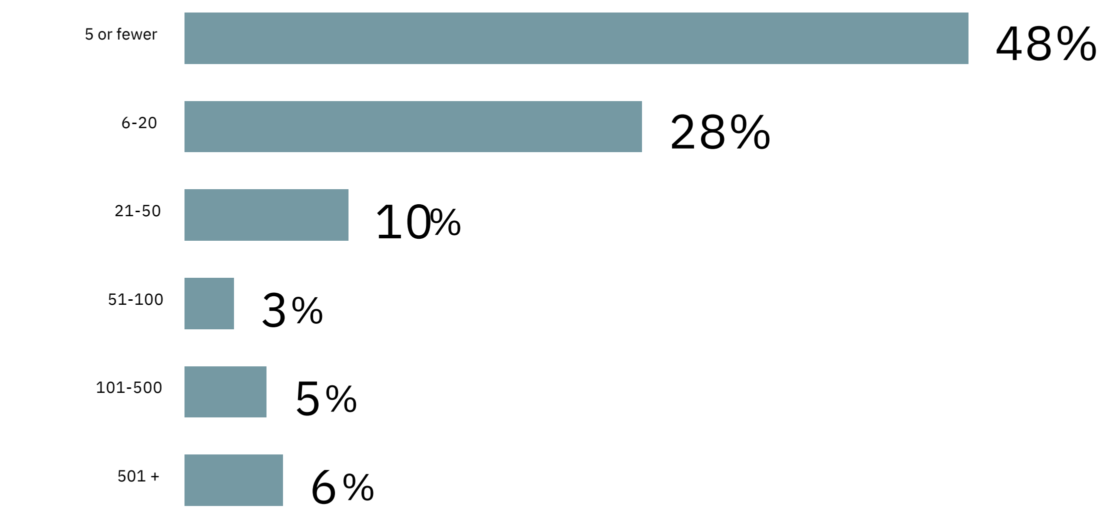
> I don't see a tolerance for rate increases in my client base, so I plan to keep their rates constant in 2025; however, my rates tend to run below market, so I likely will be onboarding new clients with a 5% rate increase.
> VALERIE BARTON, MANAGING PARTNER, BARTON LAW FIRM, LLC, UNITED STATES

No need to change fees

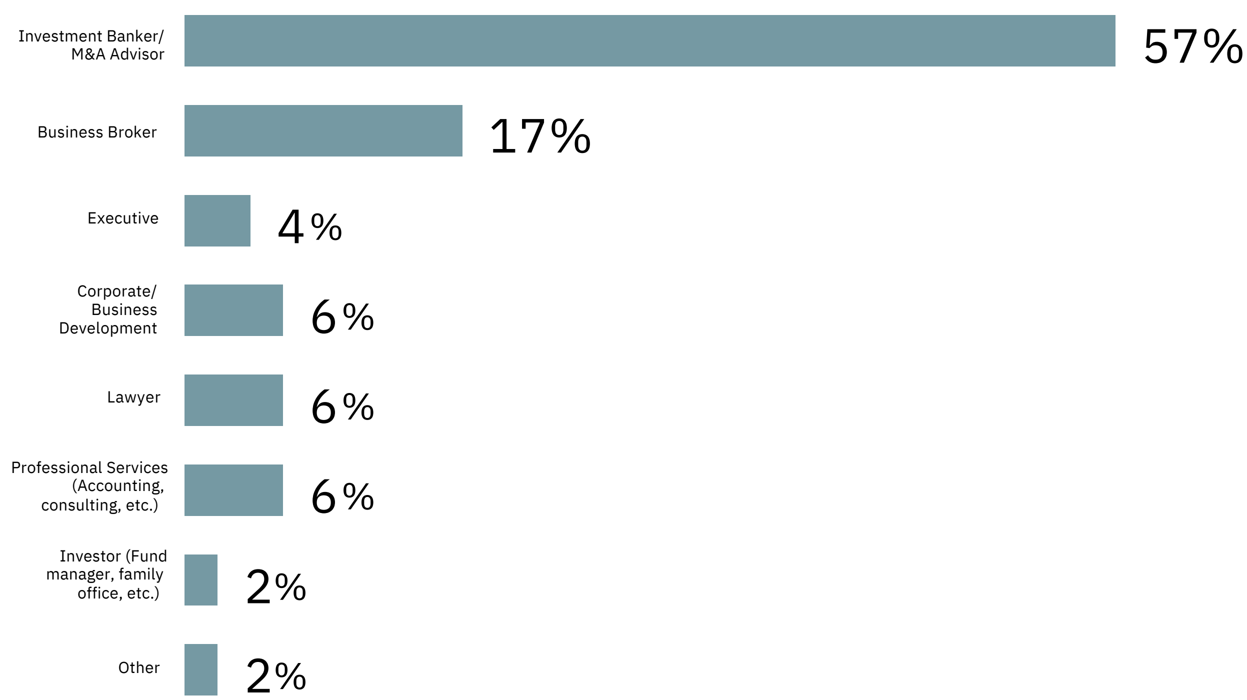
> We're not going to make any changes. We need a minimum to cover deals that we work hard on that don't close. We feel that we are the leaders in our category after 12 years and close to 60 transactions, so we will maintain our fees based on our reputation.
> INVESTMENT BANKER, CANADA

Appendix: Respondent Demographics

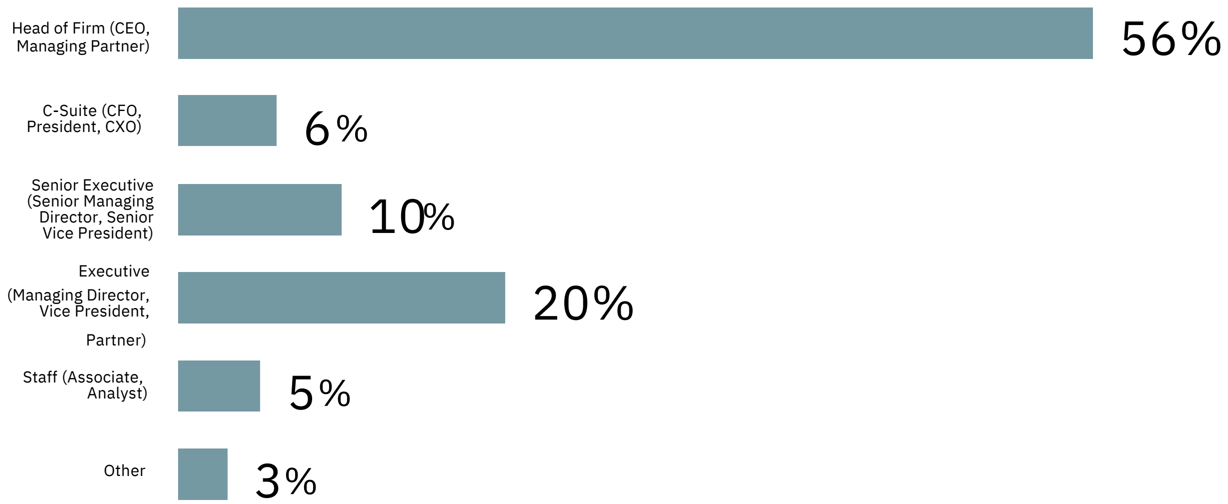
Firm Employees



Occupation



Job Title



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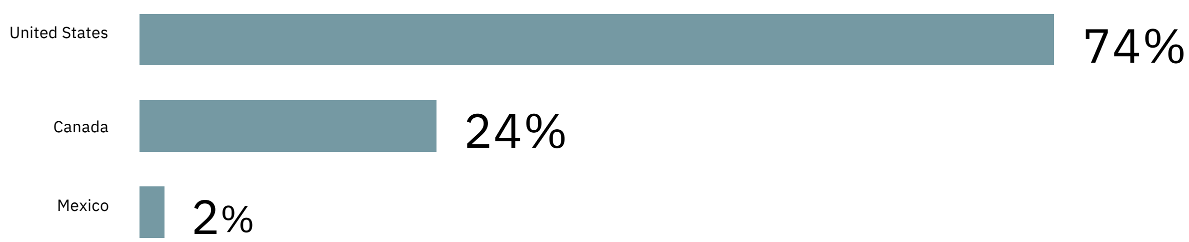
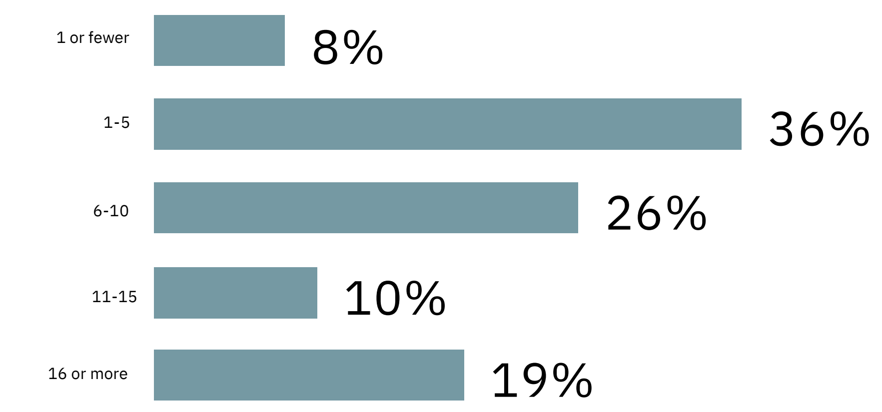
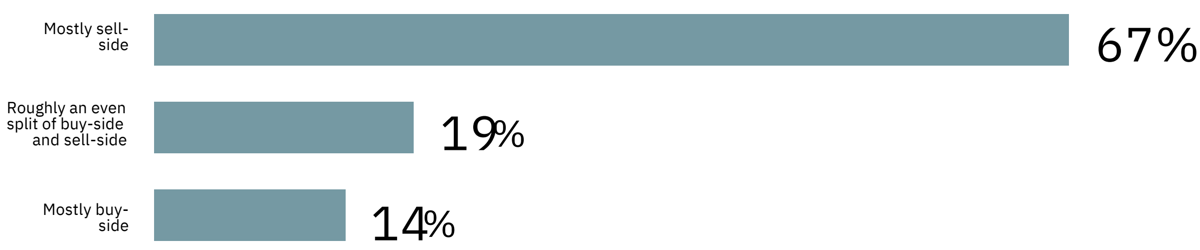


Appendix: Demographics

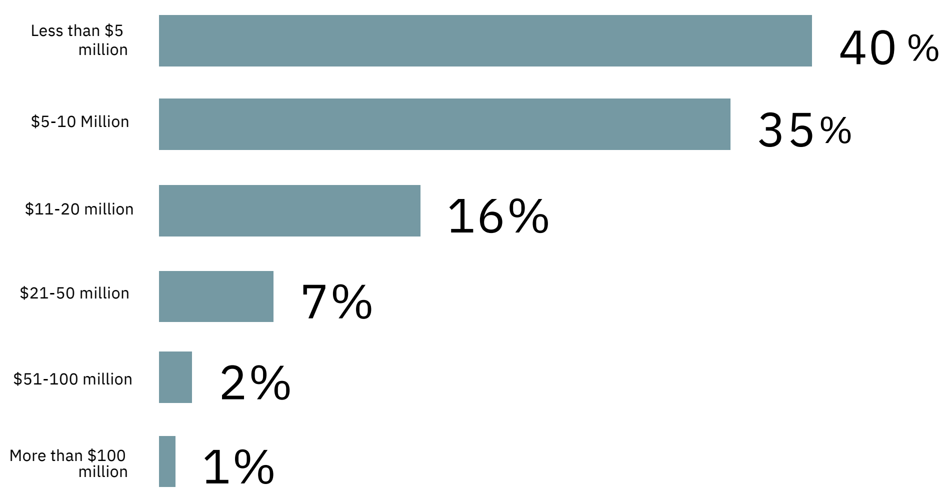
Annual Sell-Side Engagements



Client Type



Minimum Transactions 2024



VECTOR RESEARCH PARTNERS

Consulting Reimagined

We're not just replacing consultants—we're redefining what's possible. At our core, we believe business intelligence shouldn't require endless meetings, astronomical budgets, or the patience of a saint. We've built a solution that turns the traditional consulting model on its head by delivering: Analysis that dives deeper than the most seasoned consultants dare to go. Insights that arrive in moments, not months. Value that transforms your budget from a limitation into a competitive advantage. We call it "Consultant++" — all the brainpower, none of the billable hours. Every day, we wake up obsessed with one question: How can we put enterprise-grade strategic intelligence within reach of every business that needs it? Our answer is a platform that combines the analytical rigor of McKinsey, the speed of Google, and the affordability of a subscription service you won't need to hide from your CFO. Because we believe the best insights aren't the ones gathering dust in PowerPoint decks—they're the ones you can act on today.