

2024/25
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EDITION
Global

FIRMEX[✓] M&A Fee Guide

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





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Our eighth annual fee survey met M&A practitioners during a year of transition. With interest rates expected to fluctuate, advisors were planning ahead while also adapting to current economic conditions. 34% of firms said they increased at least one fee in 2024 – fewer than we saw in 2023 – but more than half of all firms surveyed said their revenue increased over the year. The 456 survey respondents shared varied strategies for the coming year with us. Some will remain steadfast in their fees, while others will take on a more flexible approach. In either case, a commonality advisors shared was a sense of optimism for the coming year. Activity is expected to rise, and advisors are preparing accordingly.

For the global edition of our guide, we gathered insights from advisors across six continents, yet the community we have cultivated over the last eight years is closely connected. This community's consistent enthusiasm and openness allow us to improve our regional editions, broaden our scope of data, and continue producing valuable resources for M&A practitioners.

We're grateful for the support of our partners, Axial, DealCircle, and Divestopedia, whose expertise and collaboration have been integral to producing the eighth Firmex Fee Guide.

Mark Wright

General Manager

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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 34% of firms said they raised at least one type of fee last year, compared to 47% 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 about one-third reporting increases.
- The most typical monthly work fees and fixed up-front retainers saw a slight increase.
- The average success fee fell for smaller deals but remained constant for larger transactions.
- More firms than in 2023 agreed to deduct work fees from success fees and to delay fee payments when the seller is paid over time.

Overview

In 2024, middle-market merger advisors 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, the Firmex annual worldwide survey of merger advisors found fewer firms raised their fees in 2024 than in 2023. Those that did adjust their rate cards mainly imposed modest increases in their engagement fees to keep up with inflation while meeting client expectations.

This year, our survey sought to understand more of the reasons why advisors choose the fee structures and levels they do. More than 450 senior investment bankers and business brokers on six continents took time to share their insights and experiences.

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 Tenaflly, United States. "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:
 - 4.8% for a \$5 million deal.
 - 3.4% 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, Firmex 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 an online survey that was completed by 456 middle-market professionals in December 2024 and January 2025.

The respondents hail from 49 countries on six continents. The vast bulk, however, are based in North America (50%) and Europe (44%). The greatest representation is from merger advisors in the United States, Germany, Canada, the United Kingdom, and Switzerland.

Seven out of ten of these respondents work as investment bankers or business brokers. Many of them are leaders at their firms. Three-fifths of the respondents are chief executives or managing partners. Most of the rest are partners, managing directors, or other senior leaders.

Most respondents (64%) mainly represent sellers, with 17% 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.

Expert Partners



Alfredo Garcia | Director & Head of Go-to-Market, Axial

Alfredo Garcia is Director and Head of Go-to-Market at Axial, leading the buy and sell-side sales and customer success organizations, as well as sitting on the company's leadership team. In his role, Alfredo works closely with Axial's senior leaders as well as the product, marketing, and business operations teams to devise and execute Axial's go-to-market strategy. Prior to joining Axial in 2018, Alfredo worked as an investment banker at PNC Bank, in their Asset Backed Finance group. He graduated from the University of North Carolina at Chapel Hill, with a B.S. in Business Administration and a minor in Music. In his free time, Alfredo loves to write and play music, go to live concerts, and play soccer.

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Kai Hesselmann | Co-Founder & Managing Partner, DealCircle

Kai Hesselmann is Co-Founder and Managing Partner of DealCircle, a digital tool that supports M&A advisors and investors in deal sourcing using a big data approach. Kai has a nearly 20-year career in the investment industry with positions in M&A advisory, at a corporation, and as a partner of a private equity fund.

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John Carvalho | President & Founder, Divestopedia

John Carvalho is the President and Founder of Divestopedia Inc., the premier online educational resource for selling mid-sized businesses. He is also the Founder of Stone Oak Capital Inc., a specialized boutique M&A advisory firm offering sell-side, buy-side, and valuation services. Beyond his M&A expertise, John has actively invested in and contributed to the strategic operations of several private businesses across diverse industries. Recognized as a leading authority in middle-market M&A, he has successfully completed deals exceeding \$1 billion in total value.

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Expert Commentary

“ The 2024 Fee Guide highlights notable trends in U.S. advisory fees, emphasizing evolving engagement and success fee structures in response to market conditions marked by robust deal flow but prolonged closure timelines. Building on the adjustments made in 2023, the survey reveals that advisors maintained a cautious yet adaptive approach in 2024. Many firms shifted from one-time retainers to periodic engagement fees as a means to better manage the heightened risk and cover rising operating costs, especially labor expenses. This strategy has allowed advisors to secure more predictable revenue streams even as clients remain vigilant about overall fee increases.

At the same time, success fees have seen more nuanced modifications. While success fee levels for larger transactions held relatively steady, smaller deals experienced adjustments reflecting the increased uncertainty and extended time to closure. These changes, driven by an evolving economic landscape and lessons learned from 2023's challenges, underscore a broader trend: U.S. advisors are balancing the need to remain competitive with the imperative to address the real-world challenges of deal execution and rising costs. As market conditions continue to evolve in 2025, these refined fee structures should help align advisory compensation more closely with the value and effort required to successfully navigate a complex deal environment.

ALFREDO GARCIA, AXIAL

“ If 2024 taught us anything, it's that M&A advisors are playing a long game. Fee structures barely moved, despite rising costs and a slow deal market. Many firms opted to hold steady rather than push for higher rates, knowing that clients were watching every dollar. But as we step into 2025, there's a palpable sense that change is coming.

Advisors are cautiously optimistic. Interest rates are expected to ease, deal flow is picking up, and with that, the balance of power in fee negotiations may start to shift back. In a more active market, clients tend to focus less on squeezing fees and more on securing the right advisor to get the deal done.

That's not to say it's time to throw caution to the wind. The pressure to justify fees remains, and firms that can clearly articulate their value—whether through expertise, execution speed, or deal structuring—will be best positioned to command stronger terms.

This year's Firmex M&A Fee Guide captures the pulse of an industry at a turning point. It sheds light on where fees are headed, how advisors are structuring their engagements, and what strategies firms are using to stay competitive. If 2024 was about holding the line, 2025 might just be the year that line moves.

KAI HESSELMANN, DEALCIRCLE

“ The Global M&A Fee Guide continues to serve as the definitive benchmark for M&A advisors and business owners, offering deep insights into evolving fee structures. This year's findings reflect the impact of economic uncertainty, shifting interest rates, and competitive pressures on how firms structure their fees. While fewer advisors raised their fees compared to last year, there is a clear trend toward more structured engagement fees, reflecting the need for predictable revenue for M&A firms in a slower deal environment.

The Guide highlights how M&A firms are balancing market realities with maintaining profitability, with many adjusting work fees and success fee structures to align with client expectations. The report provides a comprehensive view of the current M&A advisory fee landscape, supported by real-world insights from industry professionals on how these trends are influencing transactions globally.

The key takeaway remains the same: M&A fee structures continue to evolve, adapting to market conditions while ensuring alignment between advisors and their clients.

JOHN CARVALHO, DIVESTOPEDIA

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.

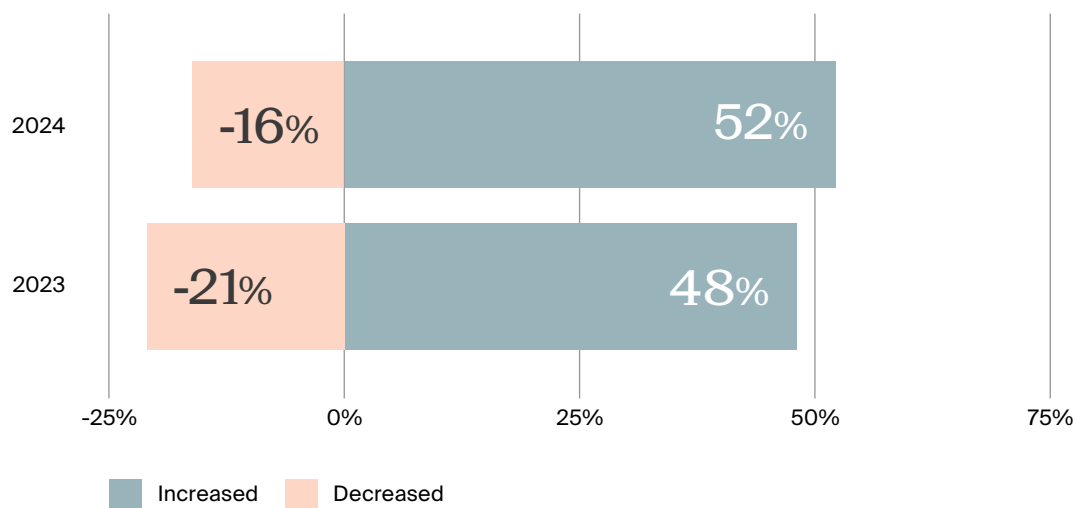
Still, half of the firms in our survey reported that their revenue grew last year. European firms did a bit better, with 56% saying revenue increased and only 13% noting a decrease. In North America, 50% of firms also saw higher revenue, but 21% faced a decline.

The greatest gains went to the larger players. Worldwide, of firms with more than 20 employees, 59% 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, Canada, explained his firm's growth succinctly: "We hustled for more engagements."

Advisory Firm Revenue

Firm revenue compared to previous year



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Profitability

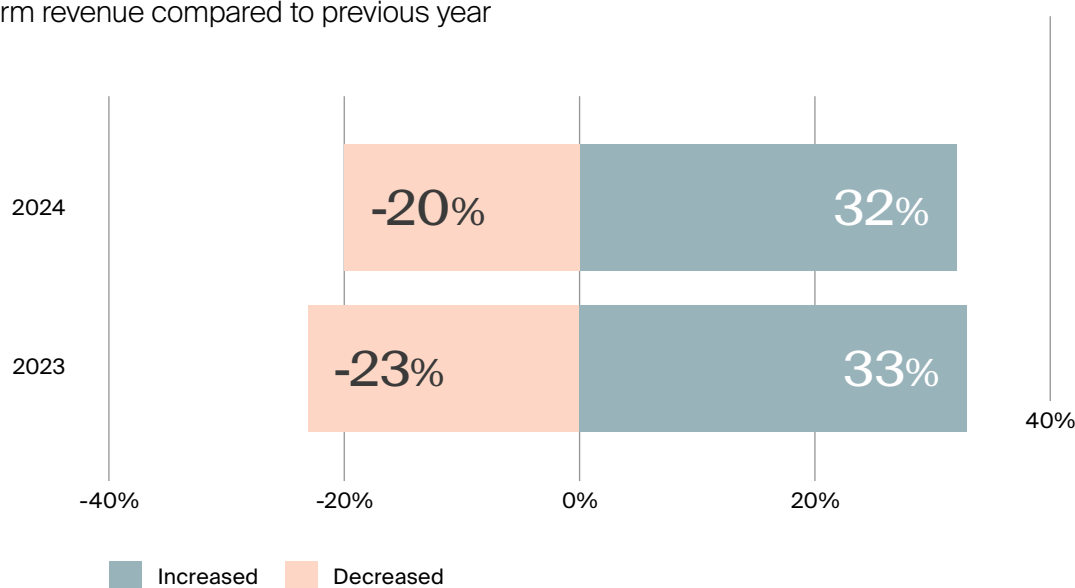
Growth in profits, however, was harder to come by. Despite an overall slowing of inflation during the year, firm margins were squeezed by increases in the cost of business travel and especially wages in the finance sector.

Profitability levels remained roughly the same as in last year's survey. About one-third of the firms we surveyed increased their profitability, and one-fifth posted profit declines.

Again, larger firms and those in Europe performed a bit better. For example, 44% of firms that set a minimum deal size of \$20 million or higher enjoyed higher profits.

Advisory Firm Profitability

Firm revenue compared to previous year



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Observations

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

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

“ We faced lower transaction volume even as our costs, mostly labor, continued to increase.

SENIOR MANAGER, GERMANY

Fee Level Changes

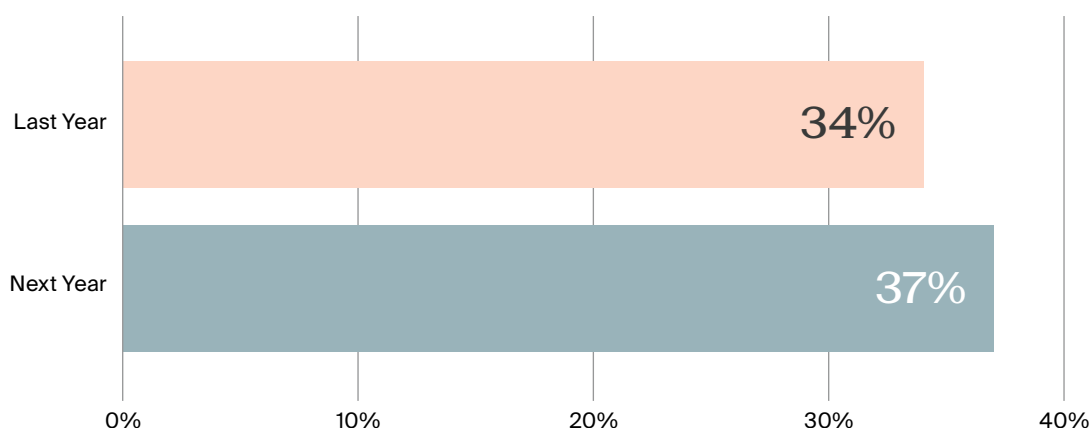
In 2023, many middle-market firms rethought their fee structures, raising rates and shifting from one-time retainers to periodic work fees. 2024 saw fewer changes. Last year, 34% of firms surveyed raised at least one fee, down from 47% in 2023. Larger firms and those in Europe were somewhat more likely 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

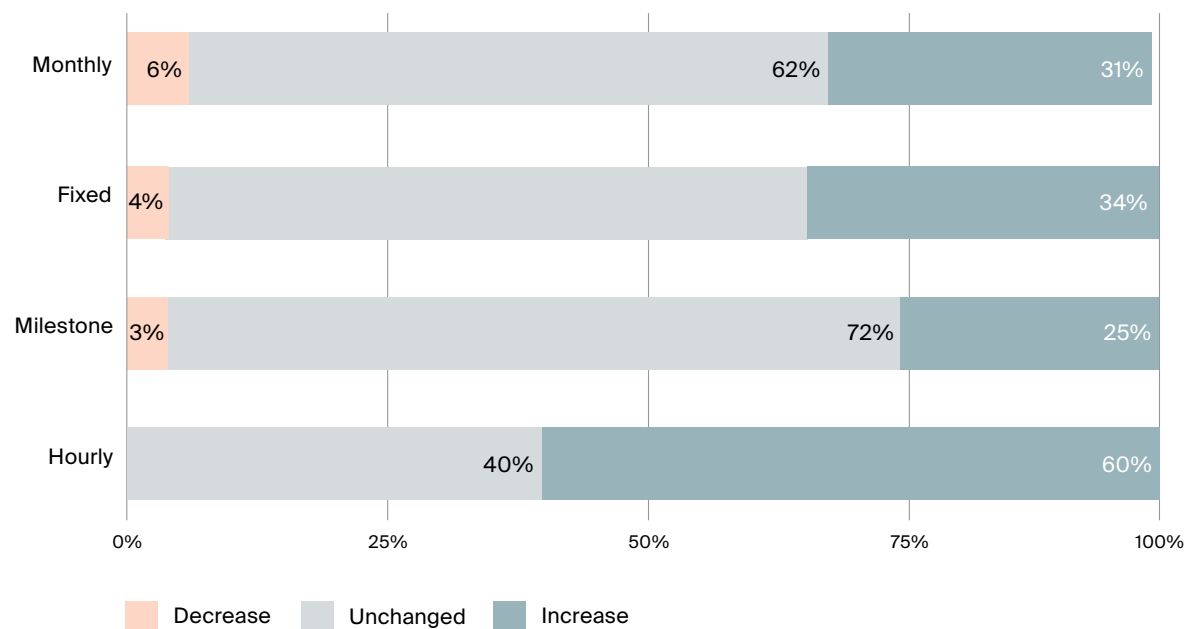
Has at least one type of fee been increased in 2024; Will any type of fee be increased in 2025



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Engagement Fee Changes in 2024

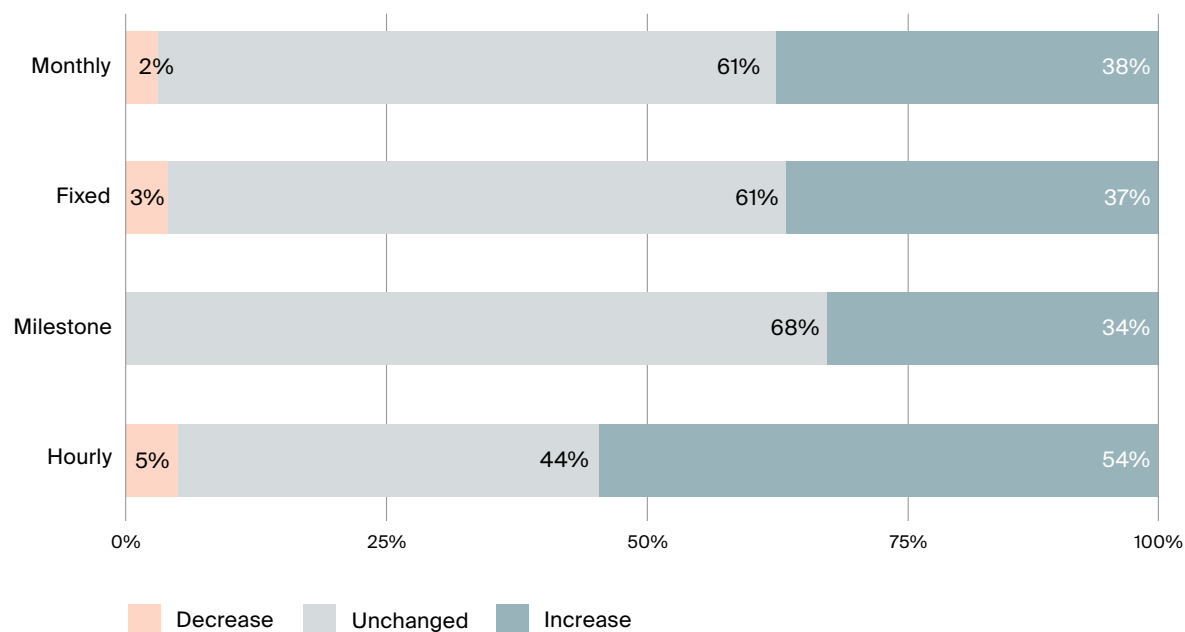
How advisors changed levels of engagement fees



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Engagement Fee Changes in 2025

How advisors expect to change fee levels in the coming year



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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. For firms that mainly serve buyers, however, 32% reported an increase in fee pressure, up from 11% in 2023.

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.

Observations

Raising fees

“ We increased our retainer fees as our fixed costs increased. In addition, we want to work on larger deals that will enable us to charge a higher monthly retainer.

ENRICO JAKOB, GENERAL PARTNER, ALPHABET PARTNERS, GERMANY

Reaction to fee increases

“ 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

Willingness to pay higher fees

“ Sellers of small businesses were prepared to pay higher success fees and retainers this year caused by more challenging market conditions. However, overall profitability declined due to the higher workload and longer deal processing times. Clients were prepared to pay slightly higher fees this year due to the more demanding market situation.

MICHAEL HOPF, DR., MANAGING DIRECTOR, SCS SUPPLYCHAIN SUPPORT GMBH, GERMANY

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 are typically open to discussing the trade-off between a success fee and a retainer. We aim to structure a success fee formula that reflects the value, complexity, and risk we assume for a specific transaction and client. We are also open to accepting a fee cap, depending on the client's profile, preferences, and competitive offers.

TOMAS KOZUBEK, PARTNER, TARPAN PARTNERS, CZECH REPUBLIC

“ 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, as in 2023, the most common structure is monthly fees. It's used by 30% of the firms surveyed, edging out fixed retainers, used by 28%.

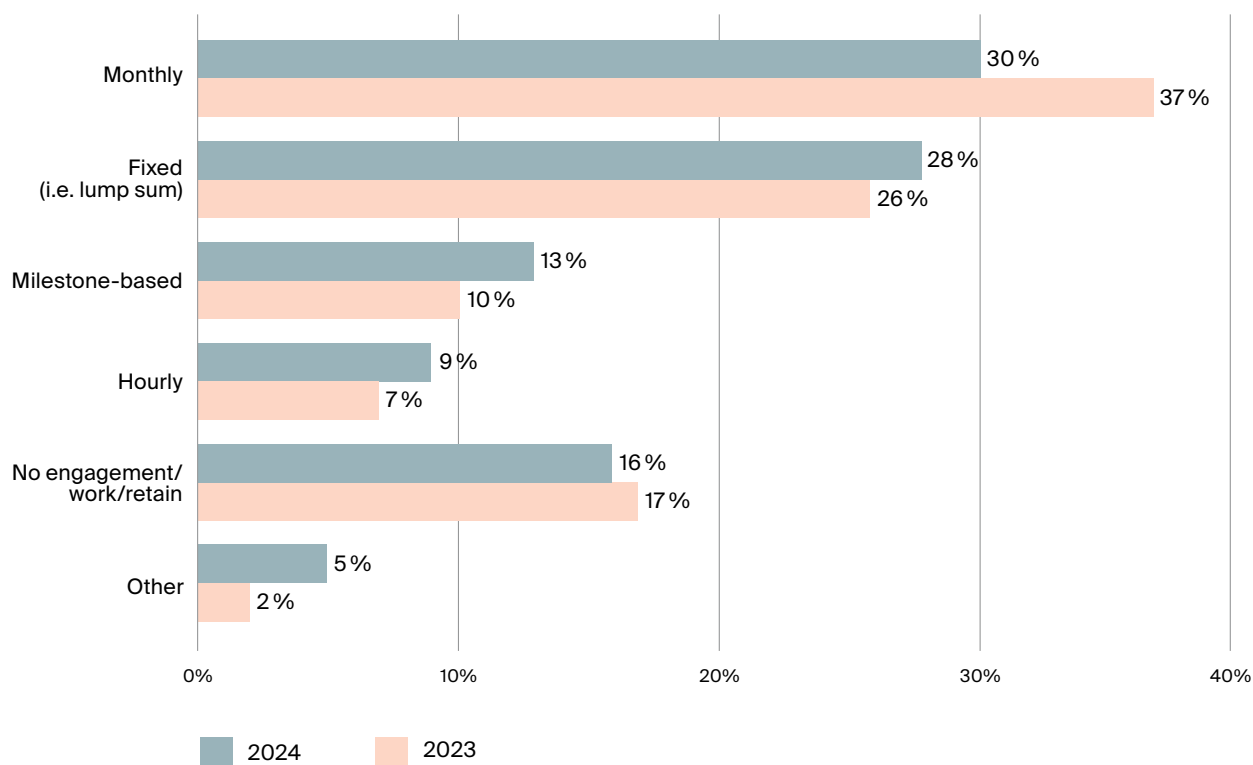
Milestone fees—where set amounts are paid at specified stages of a deal—continued to grow in popularity, used by 13% of firms. Simple hourly fees also became more common, at 9%.

These trends are more pronounced in Europe, while fixed fees are slightly more common than monthly fees in North America.

In that region, 19% of firms say they charge no work fees, instead depending solely on the success fee—or commission—on a completed transaction. In Europe, only 12% go without work fees.

Engagement Fee Structure

The type of work fee charged, if any



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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, Canada. “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, United States.
- **To compensate for deals that are delayed or don’t close.** “At the lower transaction value end of the market, there is more risk there will be no offers, so we charge as clients receive value for our work,” said Andrew Watkin, director of Assynt Corporate Finance in Stevenage, United Kingdom.
- **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, United States. “A nominal, one-time payment provides a tangible commitment to the process.”

Observations

Determining engagement fee levels

“A reasonable fee is big enough so the client feels he has skin in the game, but not too large to scare him away.

DANIELA BUHUS, PARTNER, TS PARTNERS, ROMANIA

“Our fees reflect the value we deliver rather than the time spent. This aligns our interests with our clients’ goals and emphasizes efficiency.

CHRIS RAMAN, FOUNDER/MANAGING DIRECTOR, VENTURES4GROWTH, BELGIUM

“After 15 years in business, we have good know-how in the costs required for a client engagement. That being said, our costs have increased since the pandemic, and these are being translated into slightly higher fees for our clients.

JUSTIN LEVINE, MANAGING DIRECTOR, THENONEXEC LIMITED, UNITED KINGDOM

Benefits of monthly work fees

“A monthly retainer recognizes the expertise required to deal effectively with professional challenges. Particularly in the case of protracted negotiations, a retainer helps to maintain the financial viability of the advisory service.

INVESTMENT BANKER, GERMANY

“ Monthly retainer fees are essential for us to keep the team focused on the progress and commit the client to the process.

CÉSAR GUTIÉRREZ, MANAGING PARTNER, BASTION CAPITAL ADVISORS SAS, COLOMBIA

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 hourly work fees

“ Hourly fees are the most acceptable form of retainer for clients and are easy to understand.

ARTUR SPRAUL, MANAGING DIRECTOR, ASG CONSULT GMBH, GERMANY

Benefits of milestone work fees

“ With milestone fees, you get paid only when you reach the milestone. On a retainer, M&A companies will work slower because they are not motivated to move the transaction ahead.

THORSTEN LEIDAG-HARTLMAIER, MANAGING DIRECTOR, SPARRINGSPARTNER GESELLSCHAFT MBH, GERMANY

“ Clients are reluctant to pay fees when they can't see and touch the results.

DANIEL IONESCU, MANAGING PARTNER, LARIVE ROMANIA IBD SRL, ROMANIA

Engagement fee levels

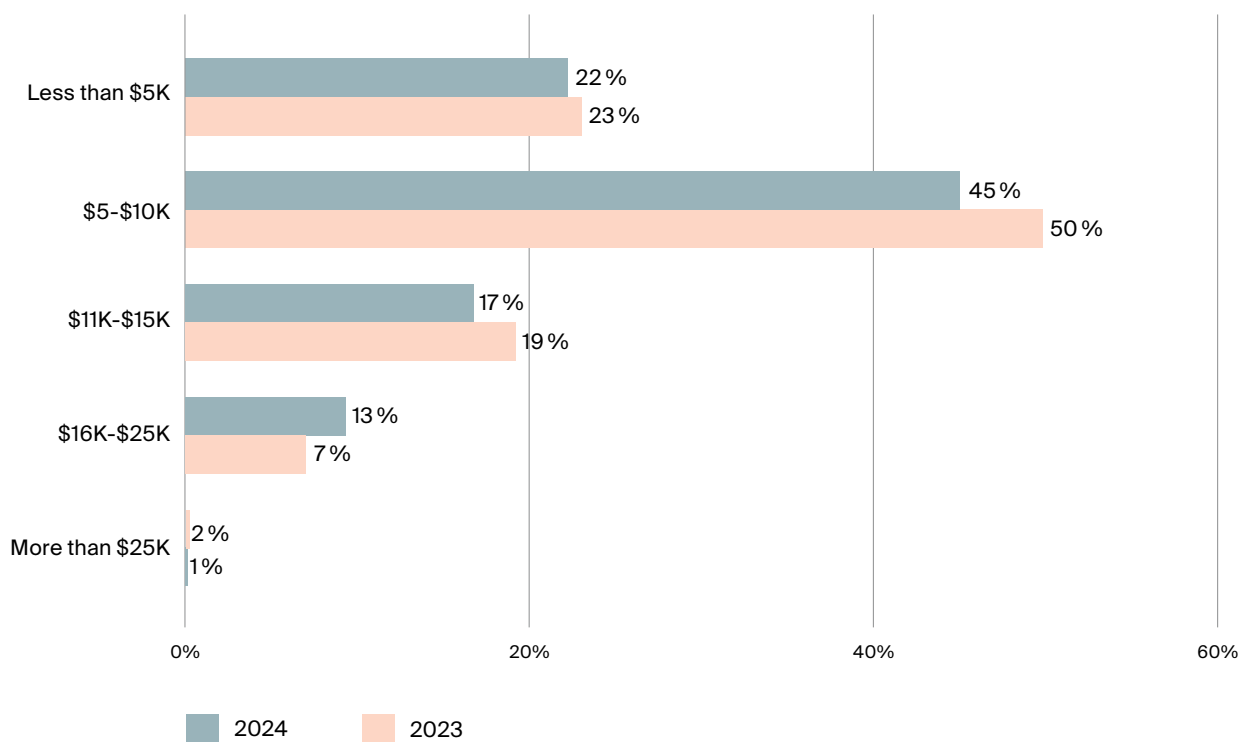
The typical amounts firms charge for both monthly and one-time fixed fees increased in 2024. While the most common monthly fee remained between \$5,000 and \$10,000, the number of firms charging \$16,000 or more per month doubled to 16%.

Similarly, 38% of firms using fixed fees now charge more than \$26,000, up from 26% last year. The most common fixed fee remains between \$5,000 and \$10,000.

North American fixed fees were higher than in Europe, but European firms charged slightly more on a monthly basis. Larger firms and those with higher minimum transaction sizes also had higher-than-average fees.

Monthly Fee Levels

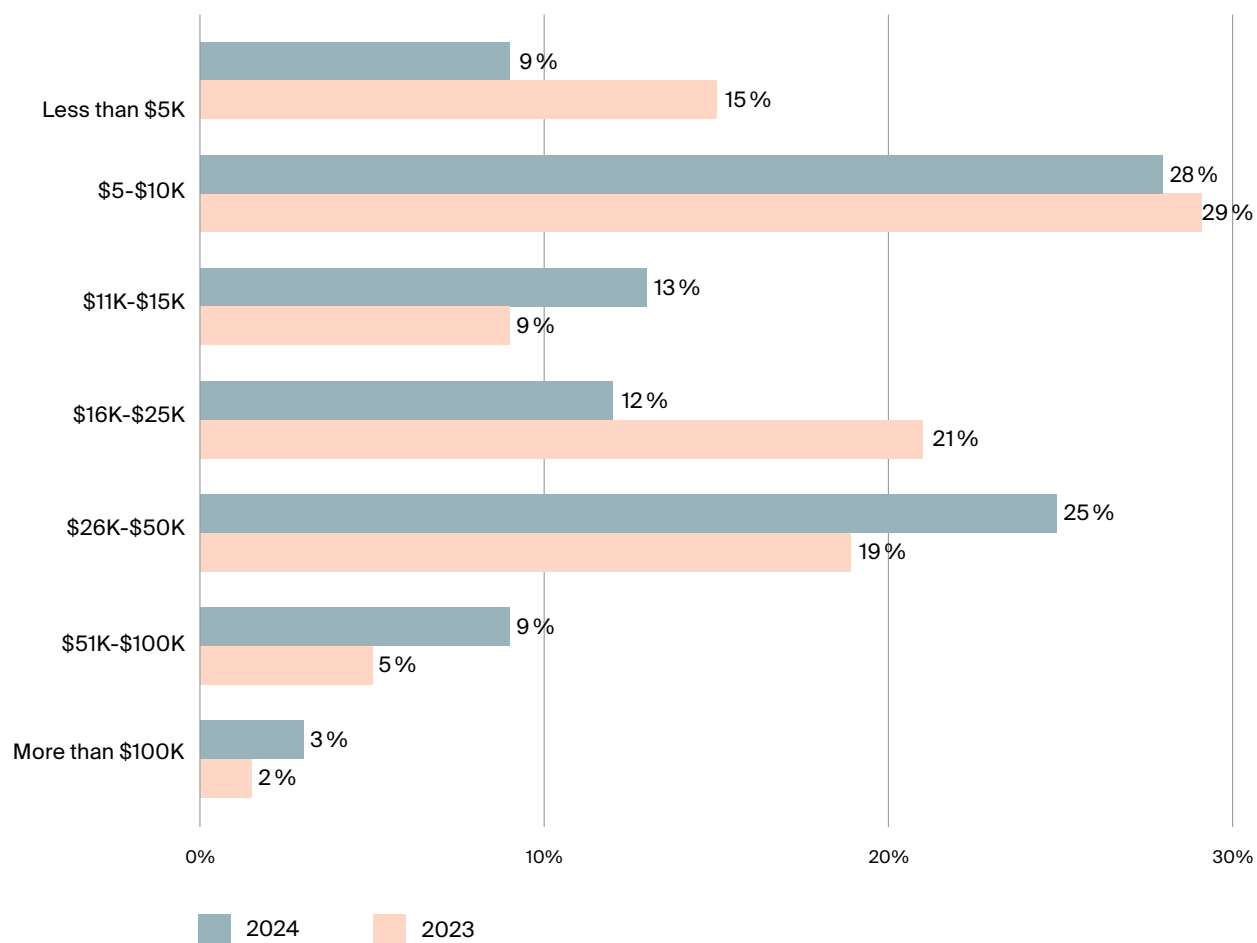
Most common monthly fee



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Fixed Fee Levels

Most common fixed engagement fee



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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.

Observations

Examples of milestone structures

“ 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 I WHITE OAK, UNITED STATES

“ Fees are charged when each of these milestones are passed: research, compiling flyer, compiling the Information Memorandum, meetings, initial offer, heads of agreement, due diligence, completion, and post-completion.

ANDREW WATKIN, DIRECTOR, ASSYNT CORPORATE FINANCE LIMITED., UNITED KINGDOM

“ 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 41% 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.

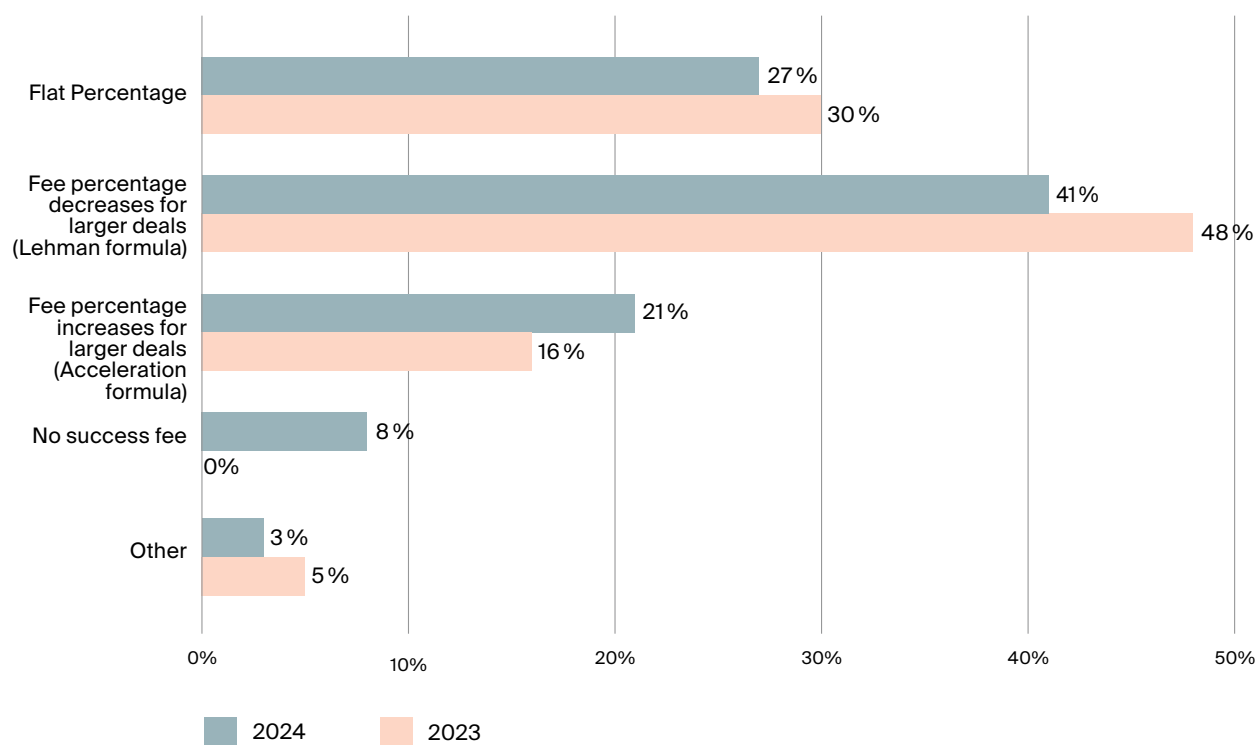
The converse—an accelerator formula where the commission increases when the deal size is over a set amount—is becoming more popular in the middle market. In 2024, 21% of the advisors surveyed used this approach, up from 16% the year before.

The most straightforward approach—a flat percentage regardless of deal size—was used by 27%.

Among firms that primarily serve the buy-side, 20% don't charge a success fee at all, much higher than the 4% of seller-oriented firms that don't charge a success fee.

Success Fee Structure

The type of success fee charged, if any



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Success fee levels

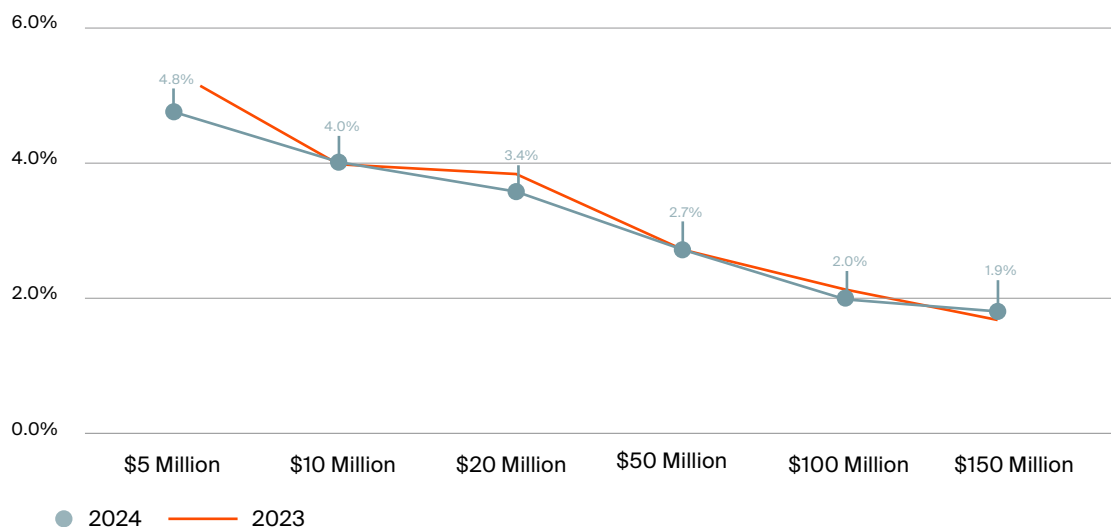
To understand the impact of the various formulas, we asked the advisors to estimate their effective success fees for deals of various sizes. The answers range from 4.8% for a \$5 million deal to 1.9% for a \$150 million transaction. At nearly every deal size, this year's fee levels were very close to last year's responses. For \$5 million deals, the 2024 rate did fall to 4.8% from last year's 5.5%

Success fees in Europe, however, were significantly lower than in North America. The gap ranged from 1.1% for smaller deals to 0.4% for the largest ones.

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.

Success Fee Levels

Most common success fee for deals of each size



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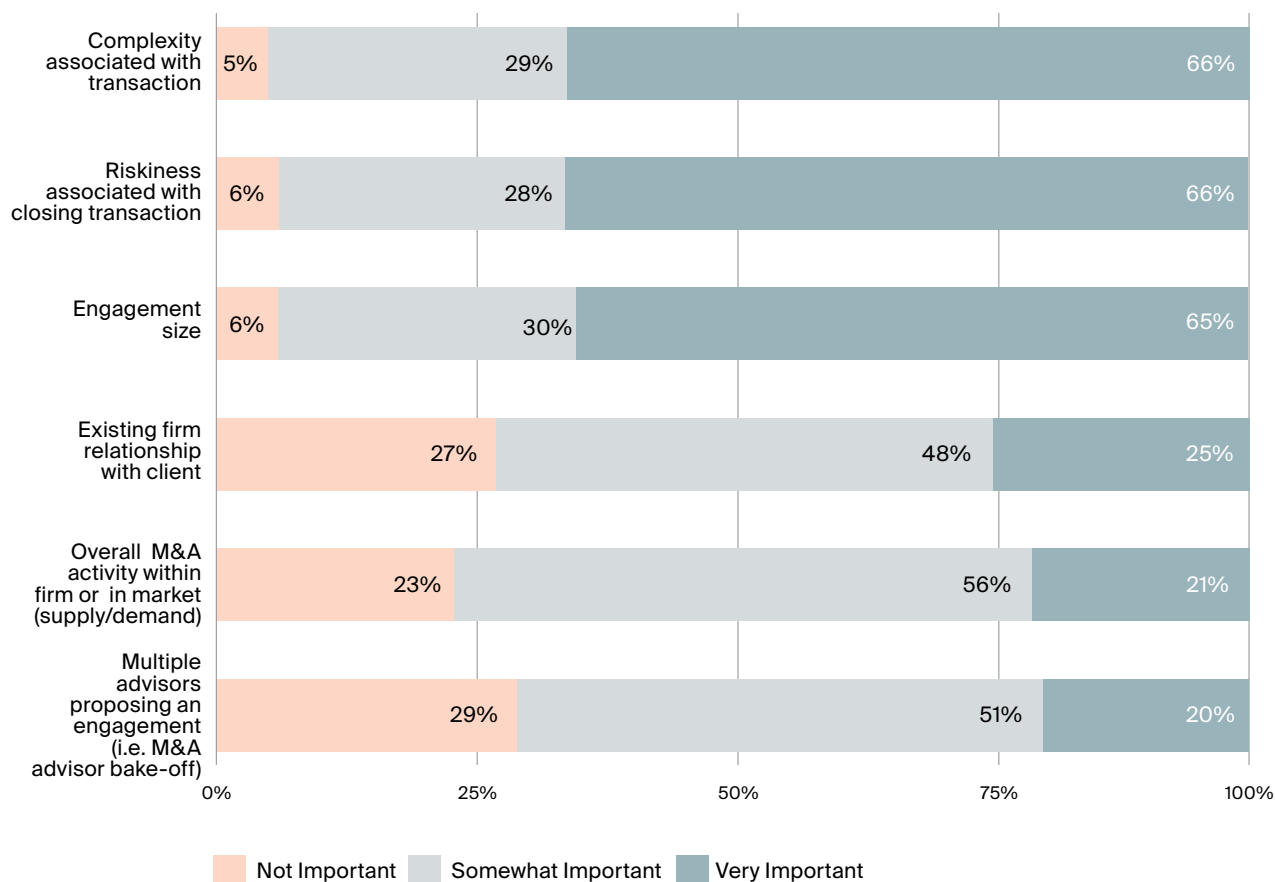
Factors considered setting success fees

When setting their success fees, firms consider the following three factors the most important: the complexity of the transaction, the risk of it not closing, and the size of the deal. 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.

How Success Fees Are Set

The factors considered when proposing a success fee



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Observations

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

“ We often customize fee structures to meet client needs, such as tiered percentages for different transaction values, ensuring fairness and incentive alignment. Regular feedback from clients may lead us to recalibrate fees to better match their expectations and perceived value.

CHRIS RAMAN, FOUNDER/MANAGING DIRECTOR, VENTURES4GROWTH, BELGIUM

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

“ We typically set a fixed fee with the occasional success fee based on a percentage accelerator. Whilst we target maximum EVs for our clients, we want them to select buyers (or sellers) with the best strategic and cultural fit - and hence, we align our interests such that we have no axe to grind on their final choice.

JUSTIN LEVINE, FOUNDER/MANAGING DIRECTOR, THENONEXEC LIMITED, UNITED KINGDOM

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

“ Many new advisors don't charge an engagement fee, only a success fee. These professionals undermine the serious work that needs to be done to maintain the staff and structure. Clients need to understand that brokers are different from advisors.

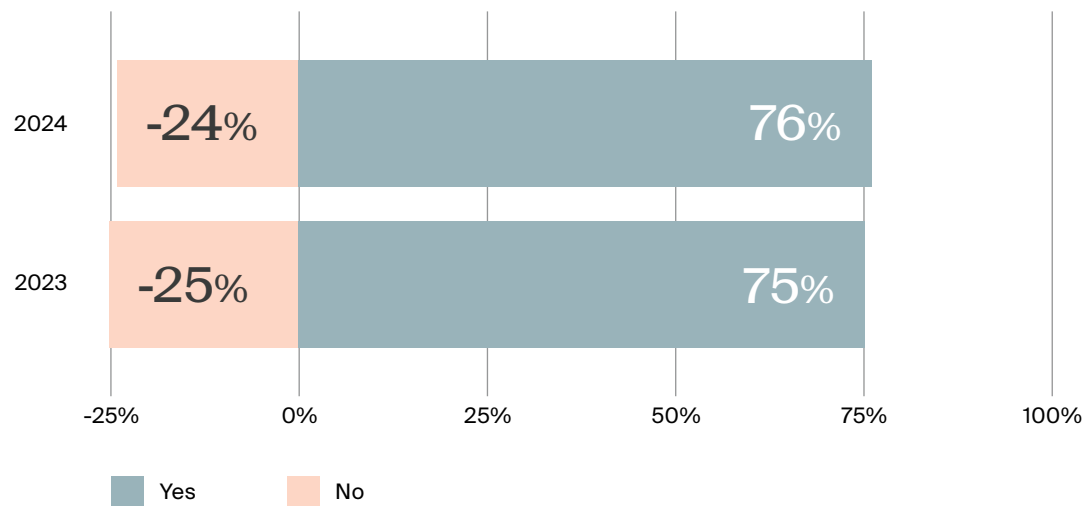
ALEXANDRE PONTES, FOUNDING PARTNER, C&M ADVISORS, BRAZIL

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.

Minimum Success Fees

Does the firm charge a minimum success fee?



FIRMEX

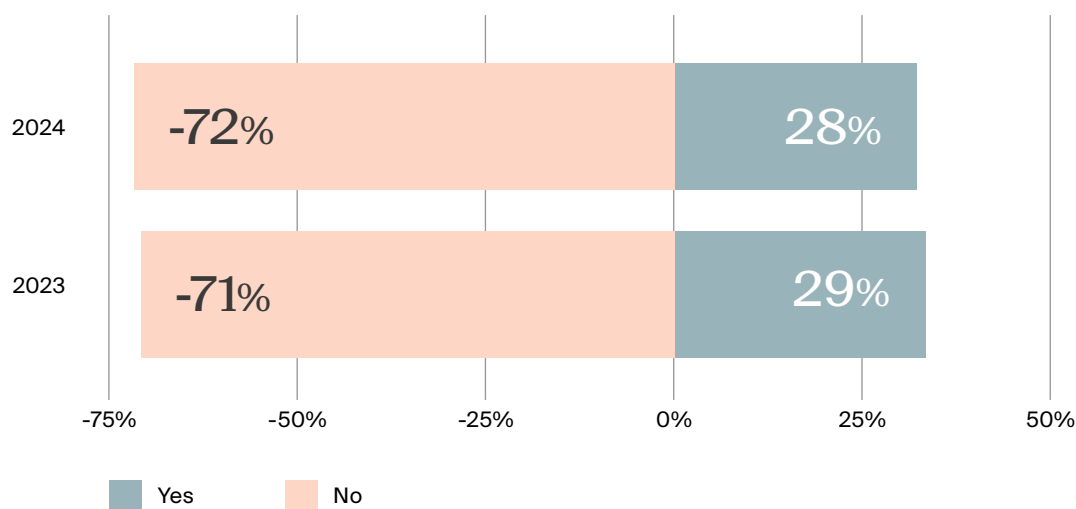
Additional Terms

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, 28% 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.

Break-Up Fees

Charge a break-up fee when client rejects a bona fide offer?



FIRMEX

Deducting engagement fees from success fees

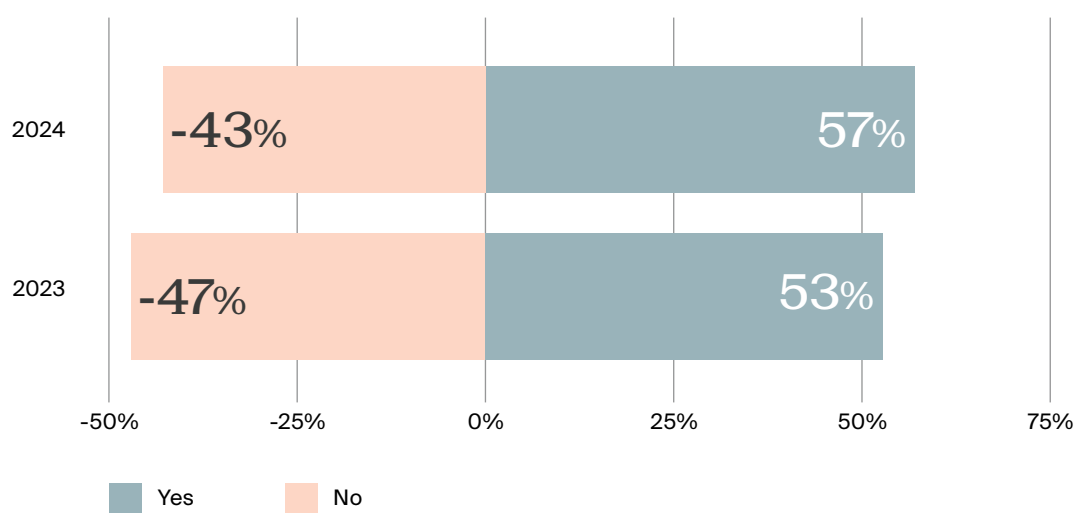
As we mentioned, one of the more common ways advisors react to pushback from clients on fees is to deduct some or all of the work fees paid from the ultimate success fee if the transaction is completed.

In our 2024 survey, 57% of the firms said they make these deductions. That's an increase from 53% in 2023, perhaps another sign that last year's market was less amenable to fee increases.

Work fee deductions are more common in North America than in Europe, where success fees are generally lower to start with.

Crediting Engagement Fees Against Success Fee

Does the firm deduct engagement fees from any success fee?



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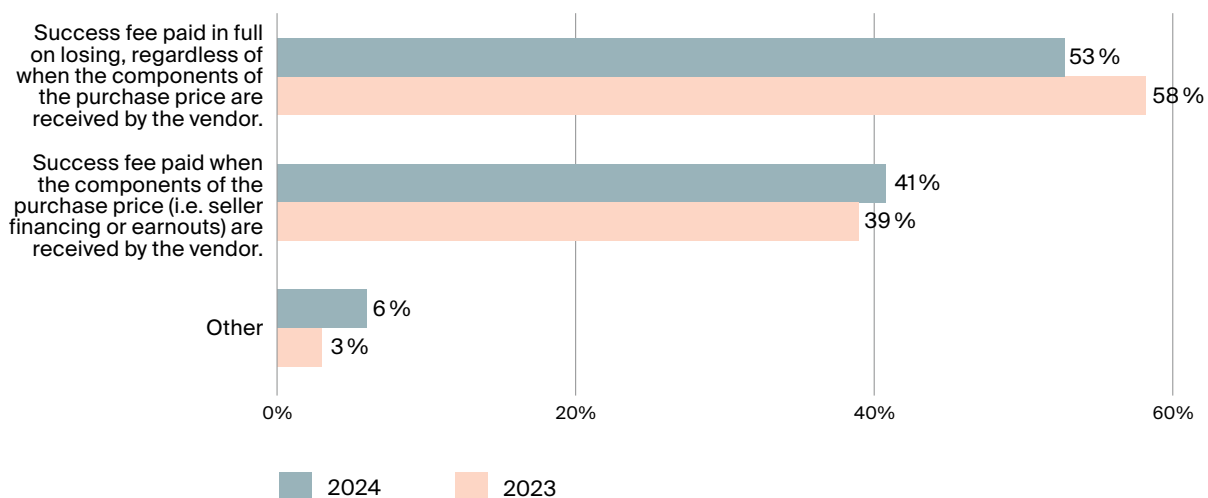
Timing of success fee payments

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, 53% of advisors insisted that the full success fee is due at closing, regardless of when the seller is paid. That's down from 58% the year before.

Success Fee Timing

Are success fees delayed if the seller is paid over time?



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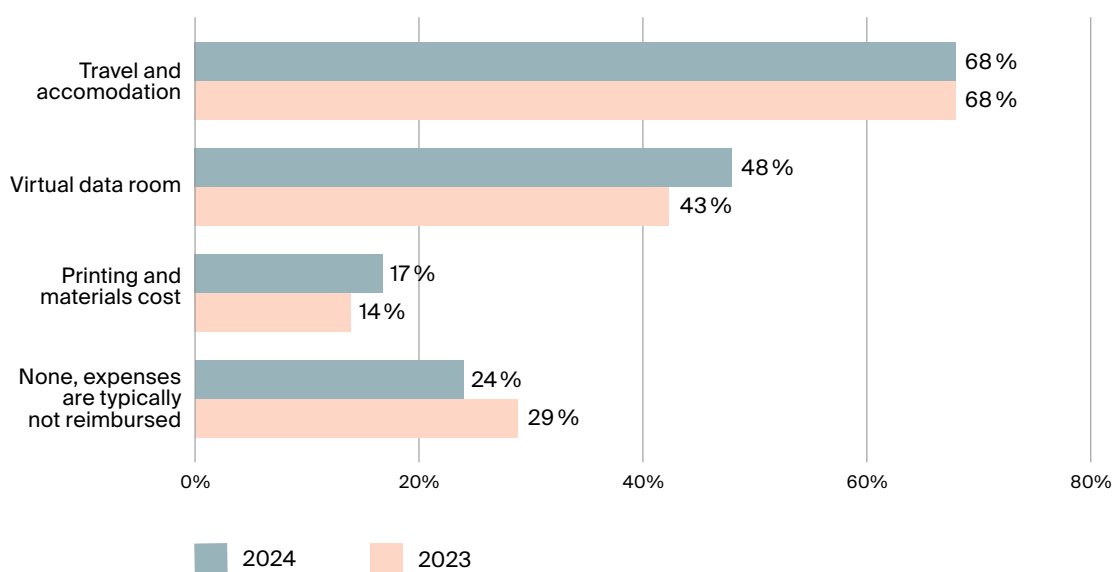
Charging for expenses

Last year, expense reimbursement was the one area where engagement agreements became more favorable to advisory firms. In 2024, only 24% of firms said they were not reimbursed for any of the costs incurred while working on a transaction, down from 29% in 2023.

Travel expenses were most commonly reimbursed, with 68% of firms passing these on to their clients. The cost of virtual data rooms is increasingly reimbursable, as well. In 2024, 48% of firms charged clients for data room fees, up from 43% in 2023.

Reimbursable Expenses

Types of expenses that are commonly reimbursed by clients



FIRMEX

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 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, United States. "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, United States. "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."

Observations

Planning to raise fees in 2025

“ We are budgeting for around a 15% increase, mainly because our client book is already full for 2025.
JUSTIN LEVINE, MANAGING DIRECTOR, THENONEXEC LIMITED, UNITED KINGDOM

“ 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

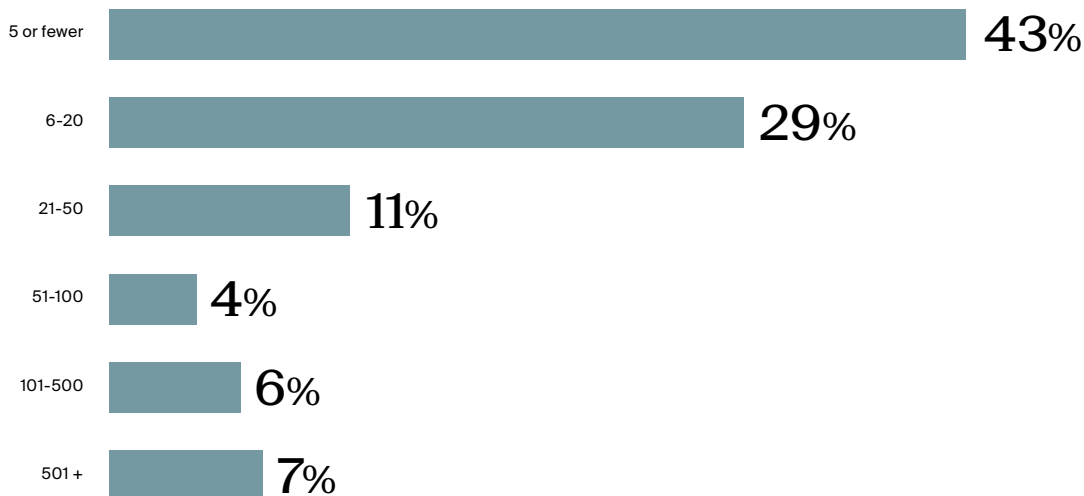
“ The more deals we close successfully that drive recommendation, the higher we will set our fees.
SEBASTIAN KOEPP-MEDINA, PARTNER AT MID-CAP M&A ADVISORY FIRM, SWITZERLAND

Raising fees only for new clients

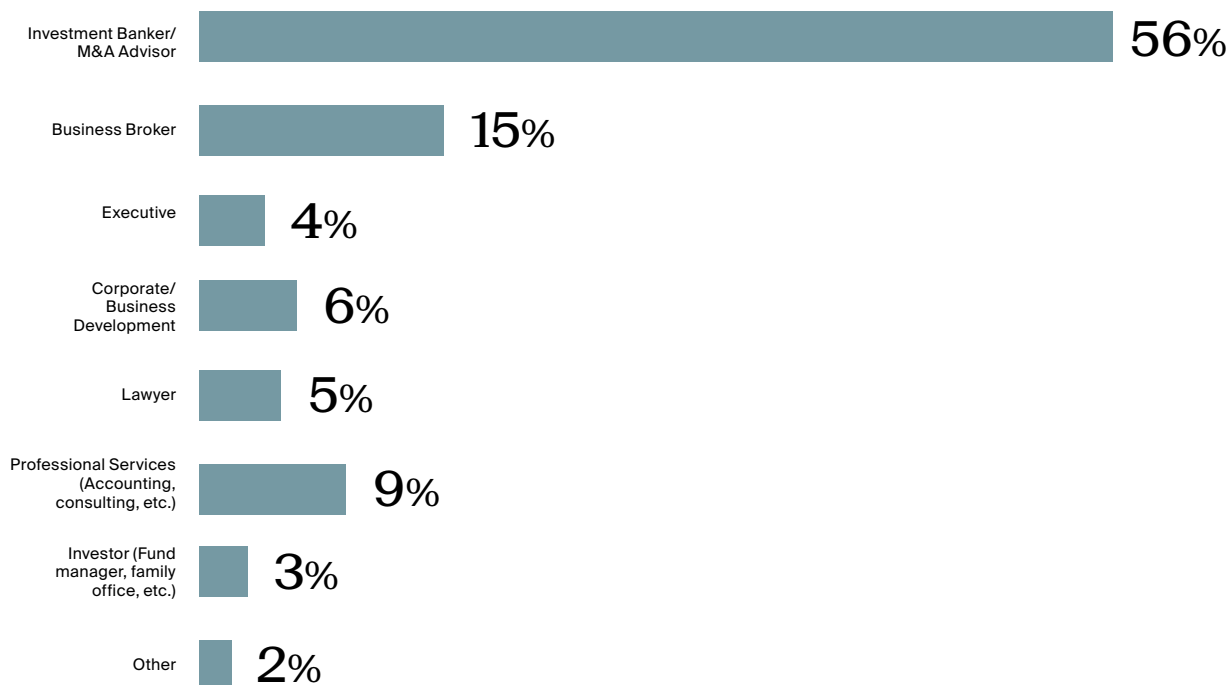
“ I don't see a tolerance for rate increases in my client base, so I plan to keep their rates constant in 2025; however, my rates tend to run below market, so I likely will be onboarding new clients with a 5% rate increase.
VALERIE BARTON, MANAGING PARTNER, BARTON LAW FIRM, LLC, UNITED STATES

Appendix: Respondent Demographics

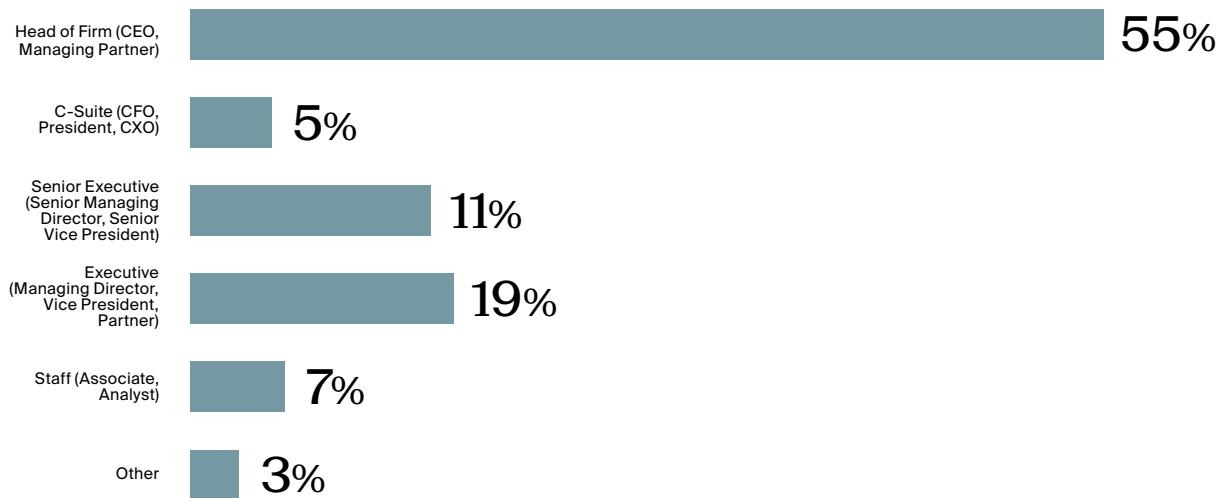
Firm Employees



Occupation



Job Title

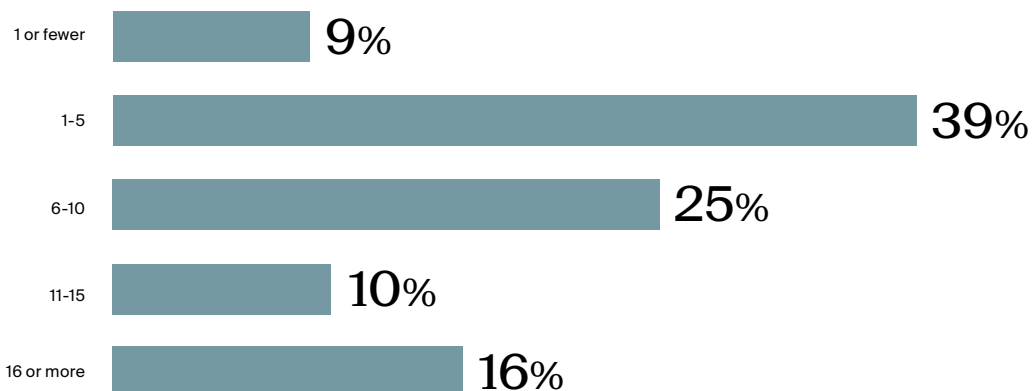


Region

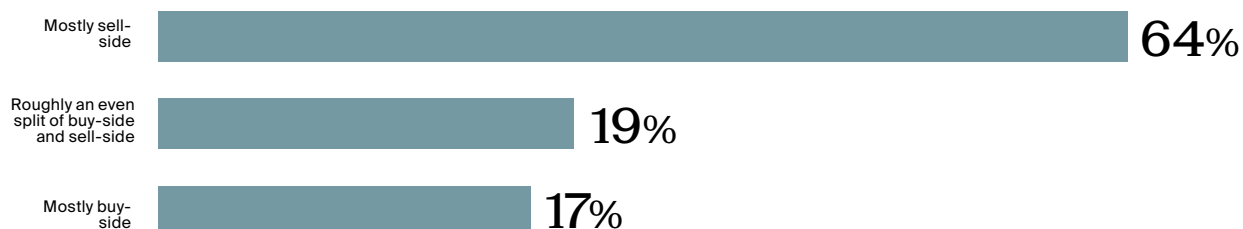


Appendix: Demographics

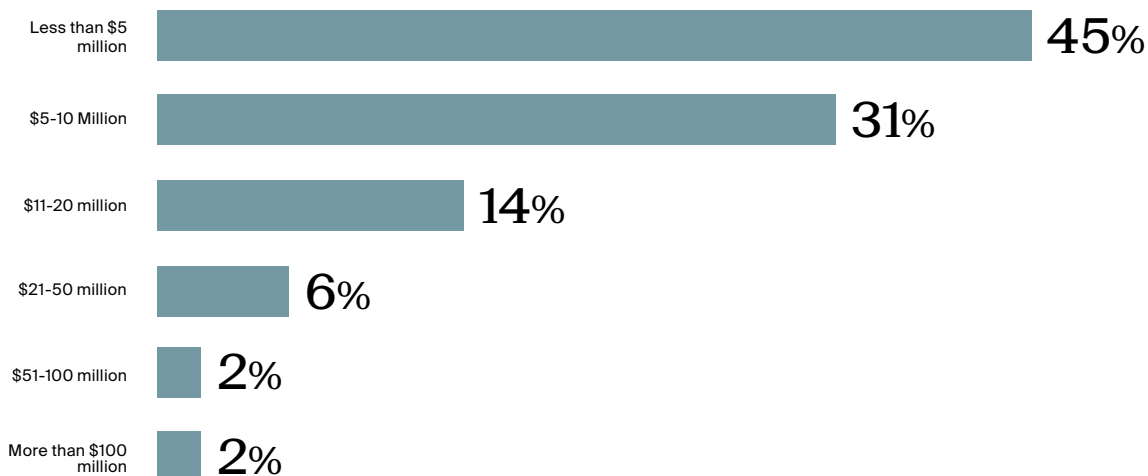
Annual Sell-Side Engagements



Client Type



Minimum Transactions 2024



About Our Partners



Founded in 2009, Axial is the trusted deal platform serving the lower middle market (\$2.5-\$250M TEV). Axial's proprietary matching technology enables advisors and business owners to confidentially connect with relevant buyers and investors. Over 3,500 advisors and 3,000 corporate and financial buyers have joined Axial to efficiently connect with relevant capital partners, source actionable deals, and build new relationships.

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DealCircle is offering technology based M&A solutions for M&A advisors and buyers. Hundreds of advisors are using our tool for the buyer-identification process and for the initial contact. Buyers get access to an extensive deal-flow of relevant projects.

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