

Mergers & acquisitions

**fairstone**   
INVESTING IN GROWTH

-BROCHURE

# Downstream Buy Out

An overview of our unique  
DBO proposition

09.22

## Introducing the DBO

Fairstone's Downstream Buy Out (DBO) is a market leading growth model. Through the DBO we partner with the owners of ambitious wealth management practices, investing in their growth and enabling them to maximise their long-term value.

Our unique proposition allows shareholders to benefit from growth before and after the transfer of ownership and ensures they optimise their business performance before crystallising a structured sale and capturing an enhanced valuation.

The DBO model delivers these advantages while also allowing business principals to secure attractive on-going earnings and guaranteeing that clients, advisers and staff remain fully protected.

“Since joining Fairstone, business has grown significantly and due to the resources we now have access to, we can spend more time with clients to give them the very best service and experience.”

*Angela Marson, Stoke-on-Trent*



# A partnership not a purchase

Fairstone's DBO enables shareholders to unlock five layers of enhanced value, not just a single sale event.

This is a partnership not a purchase and we believe that we can create more value together than apart.

We invest in your growth and protect your people, creating the growth platform for you to double the value of your business.

Taking you beyond market multiples while never treating your clients like a commodity.

5



Create **long-term value** by leading an acquiring hub as a **Corporate Director**

4



Further upside from our ongoing **Horizon profit share scheme**

3



Maintain **highly attractive levels of income and bonus**

2



Benefit from growth in profits reflected through **increasing earn out payments**

1



Access the capital and expertise to achieve your **optimised sale value**



## The value of integration

We believe that integration is the key to any successful partnership as it allows both parties to invest, support and grow together. Our experience has proved that managing it from the outset leads to much less disruption at the future point of sale.

Integration that is handled over an extended period allows both parties to get to know one another and achieve a gradual alignment of values and culture.

This transition enables businesses to continue increasing profits, without unnecessary friction, during the most important period.

As a result of our approach, on average, our acquired firms have realised **116% of the capital value that was calculated at the point of sale.**

“At the point of acquisition, we were already working at 100% operating speed, so the transition was seamless and a lot less disruptive than I was expecting. I was amazed at the ease with which we quickly became part of Fairstone and adopted the Fairstone way of operating.”

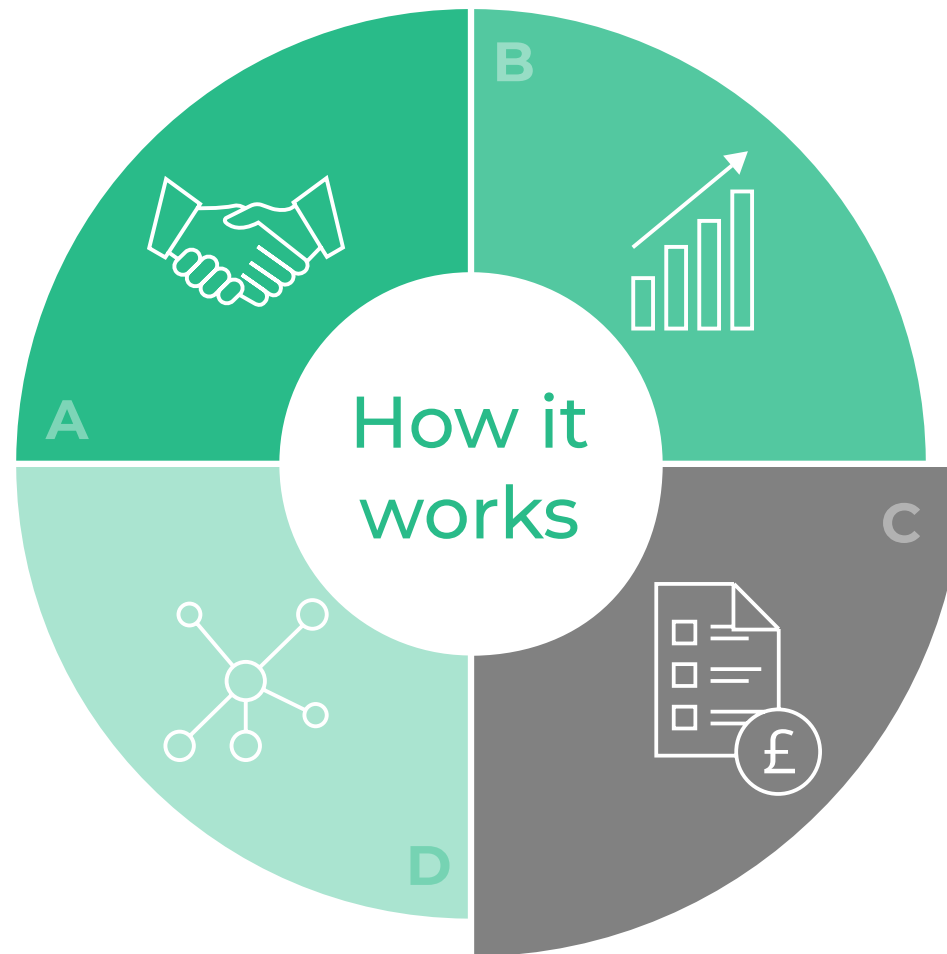
*Marcus Harris, Corporate Director, Bath*

# Investing in growth

Fairstone acts as a growth partner, and provides the centralised resource, technology, capital and new customers to support sustainable growth and enable forward thinking firms to achieve their maximum potential.

**A Initial 9.9% equity stake acquired at 9 x current NPAT valuation.** Fairstone provide the trading framework and regulatory costs umbrella.

**D Acquisition funding of up to £5m** provided to secure regional bolt-on acquisitions and support additional value creation + **HORIZON profit share (5yr rolling).**



**B Organic growth funding of up to £500k p.a.** provided during integration – supporting hiring of further fee earners or migration of new client books.

**C Ultimate purchase completed at 9 x prevailing NPAT valuation.** Future growth is shared during the earn-out.



# Proposition benefits

We enable firms to mitigate market risks and free up business owners to focus on what matters most, developing their client base and the careers of their team.



Meet your ongoing **regulatory and legislative requirements**



Ensure that your valued **clients remain fully protected** in the long-term



Remove yourself from **compliance workload and reporting**



Greater capacity and **more time to spend with clients**



**Access all of the tools, funding and client flow** to take your business to the next level



Have more **time to develop staff**



**Generate higher levels of profit** and recurring income



Create **greater career and earnings opportunities** for all stakeholders



**Protect the future** of your colleagues



Secure **long-term enhanced value** for all shareholders

## Enhanced value

As part of our DBO proposition all selling shareholders are encouraged to take on a more involved M&A role within the business once their acquisition is complete, opening up a further opportunity to create significant value and securing their long-term future with Fairstone.

Utilising Fairstone's capital, alongside their first-hand experience of the proposition and local market knowledge, they continue to grow their hubs, identifying like-minded firms to bolt on to their businesses via our Satellite DBO model, mentoring them throughout the process.

horizon  
PROFIT SHARE

Fairstone offers an uncapped profit share aimed at supporting advisers to organically grow their client base and revenues.

Repeating on a five year cycle the profit share offers advisers the opportunity to earn up to 3x their annual salary at the upper boundary.



# Our approach

The Fairstone acquisition model is very different to the traditional consolidator approach. How do we compare?

- 1 We factor growth into our valuation – both pre and post-sale
- 2 We provide capital, clients and capacity to enable you to optimise your profits and value
- 3 We share the upside that comes from continued success
- 4 We offer the opportunity to secure an enhanced value for your business and ongoing contribution
- 5 We protect and develop staff and advisers, we don't treat clients like a commodity
- 6 There are greater opportunities for all stakeholders, not just shareholders
- 7 We want you to stay connected to the business for the long term
- 8 We buy businesses via a Share Purchase Agreement not a trade sale, reducing tax leakage and protecting your legacy
- 9 We carefully select our Partners, thereby eliminating contagion risk
- 10 We have a fully proven model - over 50 acquisitions with all Partner firms receiving at least 100% of target sale value



## A proven strategy

Ralph Mitchell, former business principal at Leicester-based Brett and Randall shares his experience:

“We joined Fairstone’s Downstream Buy Out (DBO) programme in late 2017 before integrating with the firm and being fully acquired within 15 months rather than the normal two years – both parties were comfortable that the match was perfect.

The DBO process gave us the opportunity to really get to know Fairstone and in turn for them to get to know us, which helped to build up trust between us before we made the final leap.

I can honestly say that things couldn’t have gone better and in February 2019 we were fully acquired. We were also awarded ‘partner firm of the year’ in 2019, and ‘office of the year’ in 2020.”



Revenue

**↑40%**



Client Numbers

**↑73%**



Profitability

**↑50%**



“We couldn’t be happier about going down the Fairstone route and we pat ourselves on the back at what a good move it was for clients, staff and ourselves – as we keep saying, we ‘sold up, not sold out’.”

*Ralph Mitchell, Leicester*

## A partnership not a purchase

Speak to our Mergers & Acquisitions team to find out more about how we could grow together.



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