

Tatton Investment Management

THE BOOMING ADVICE LANDSCAPE – MAXIMISING OPPORTUNITIES

For Adviser use only

Justine Randall, CCO.

Ross Mackinnon, Director of Strategic Partnerships



Tatton
Investment Management



MARKET OBSERVATIONS

IT'S A GREAT
TIME TO BE
AN IFA

Around **37,000** at the end of 2022, not growing
(source : The retail intermediary market data 2023 - FCA.)

14,000 Advice Firms

3,000,000 individual clients being supported

59% of advisers are Appointed Reps, **41%** Directly Authorised

You proudly sit in a largely static pool of excellence which
just isn't growing fast enough to meet demand



ADVISER EXCELLENCE & PRIVATE EQUITY FUNDING IS DRIVING UP SALE MULTIPLES

Revenue per firm
up 11% year on
year

Revenue is
recurring assuming
AUM retained

Consolidation
Opportunities
as scale
achieved

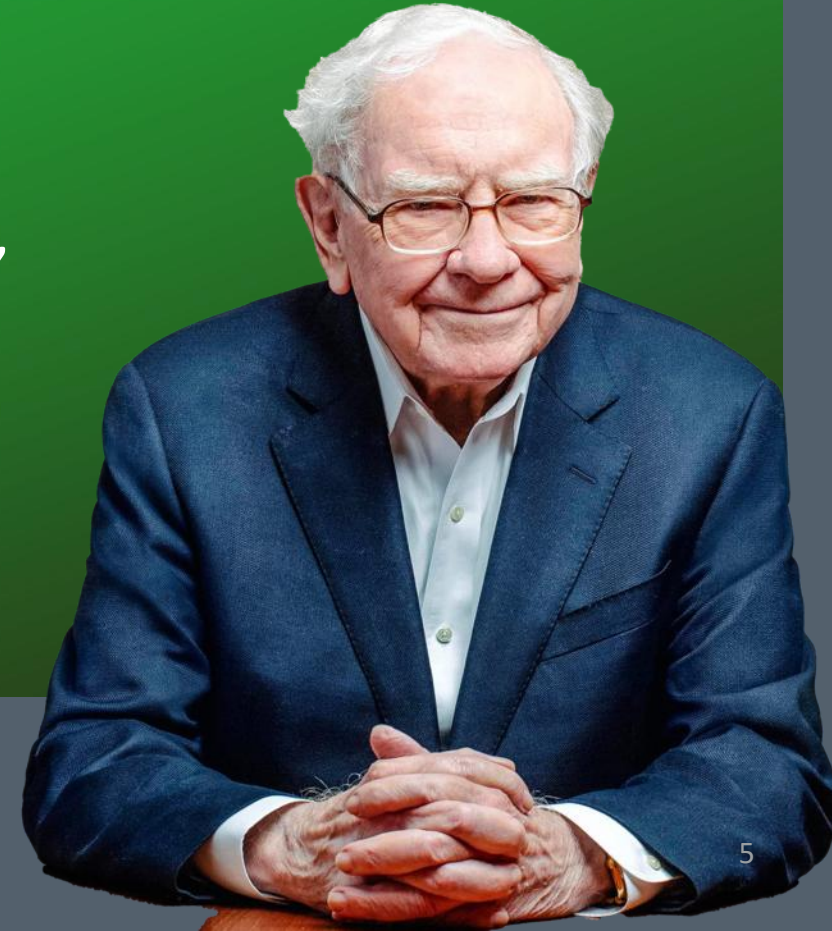
Pre-Tax profits
growing on
average 27% per
year

Dynamic and
growing industry -
Robo continues to
struggle

SO ...WHY ARE 40% OF IFA'S LOOKING TO SELL IN THE NEXT 5 YEARS?

“We all have to exit at some point – you’re either bought out, pushed out, or wheeled out!”

Warren Buffett



WHY SELL?

THE CHALLENGES JUST KEEP ON COMING

COVID reflections / change in direction / approach

Surge in new consolidators funded by PE money

Regulation – Consumer Duty, PI costs, rising costs

Ageing Adviser Base – we aren't getting any younger...

Access to capital / cost of capital for future trading

Tempting financial return for your life's work – high multiples



DECIDED TO
TAKE THE
PLUNGE ?

KEY ROUTES
TO MARKET



Quilter

LIGHTHOUSE GROUP
FINANCIAL SOLUTIONS

Quilter
Financial Planning



1825

Fairstone

KINGSWOOD



true potential

Bellpenny

SUCCESSION
WEALTH



BREWIN
DOLPHIN

Ascot Lloyd
Independent Financial Advice



Sell to large scale consolidator / national / network

Sell to local competitor / friends / colleagues

To existing team via Employee Ownership Trust

BREAK- OPEN DISCUSSION



LET'S GET THE FINER DETAIL



WHAT DOES THE DEAL LOOK LIKE?

FOR YOU

Financial Terms

STANDARD

- Cash up front (50%) plus earn out over time
- Multiple (typically 2-4x) of recurring income
- Instalments paid over 2/3 years with targets to hit

VARIATIONS

- Cash plus shares – nominally increases multiple
- Salaried consulting for longer duration earn out

EARNOUT PERIOD

- 2 years as non-selling, silent partner – you are handing over clients

WHAT DOES THE DEAL LOOK LIKE?

3 ROUTES TO MARKET

Trade and
Asset Sale

Share
Purchase

Employee
Ownership Trust

WHAT DOES THE DEAL LOOK LIKE

SHARE PURCHASE

Share Purchase – Belt and Braces



- Belt and braces approach – acquiring the whole business
- Advice Liability transfers with sale
- Multiple tends to be less as liability taken on
- Staff and advisers usually taken on also
- Typically 2-3 year earn out period
- Future payments determined on financial performance and targets

WHAT DOES THE DEAL LOOK LIKE

TRADE & ASSET SALE

Trade & Asset Sale - "Goodwill"

- Purchases buys "Goodwill" of company – clients
- Run off cover needed for liabilities as retained
- Higher end of multiple range as no liability for purchaser, could involve less robust due diligence
- TUPE Agreements for staff can be agreed
- You are left with a shell business with no clients or assets
- Could provide opportunity to sell a part of your book

WHAT DOES THE DEAL LOOK LIKE

EMPLOYEE OWNERSHIP TRUST (EOT)

Employee Ownership Trust - Modern Approach



- Creation of a trust, ownership passes to existing team – give away controlling stake (51%)
- Gain future buy in from employees having some ownership
- Flexibility of retention of part of business
- Consistency of service and proposition for clients
- Future pay-out based on success of your employees running business over time
- Earnout can be longer as pay-out is typically covered by business cashflow
- No CGT payable

Chris Budd: Business owners need to start stepping back

By **Chris Budd** | 3rd June 2019 3:05 pm

Almost exactly two years ago, I attended a regional meeting of the Employee Ownership Association. It was a day that genuinely changed my life.

I'd been looking for an exit route for my business, Ovation Finance, for some time, and had been working to make myself the least important person in the business for several years. I was by no means desperate to sell, but wanted options for the future.



THOUGHTS/OBSERVATIONS?



PUTTING IT ALL TOGETHER



HOW LONG DOES IT TAKE TO EXIT?

WHEN TO START PLANNING

6 – 12 months to completion once deal agreed

Then a 2-3 year earn out depending on shape of deal

If planned exit 3 yrs time, should start now!

Identify target exit date and work backwards

Prepare early to maximise value and be ready for unexpected

Time invested now in CIP, Platforms and De-Risking adds value



DUE DILIGENCE REQUIREMENTS

WHAT DO YOU NEED?



2 years P&L, balance sheet
Recurring income
AUM: control & opportunity
Client profile: age, location

Past Claim history
Risk in back book e.g. DB transfers
Regulatory returns,
Supervision standards / advice quality

Contracts e.g. property lease, suppliers etc
Staff contracts
Any on-going litigation

INTEGRATION POST THE DEAL...

CHANGES FOR FIRM

Post Completion Changes

Will be detailed in Sale and Purchase Agreement (SPA)

- Investment proposition for clients
- Cultural fit for staff and clients
- Pricing and Fees – adviser / investment / platform
- Compliance approach / provider
- Back office – CRM / accounts format, IT systems
- Staff – roles, structure, pay and benefits
- Brand – most emotive of all?

**A balancing act between the emotional
need to look after your clients but a
practical need to maximise value**



HOUSEKEEPING - SIMPLIFICATION OF BUSINESS DRIVES VALUE

THREE KEY AREAS:

- Risk profiling
- Centralised Investment Process
- Platforms

Simple businesses are easier to value
Simplicity = ease of integration



PLATFORMS

MESSY BUSINESS?

Citywire analysis shows most IFAs use three platforms:

- Ideal for one principal new business + others for legacy and specialist needs
- Need to simplify – reduced no. of platforms = ease of asset transfer on sale
- Re-platforming is not straightforward for adviser or client
- Takes time to “tidy up” so start early where advice appropriate



CONCLUSIONS

PREPARATION IS KEY



- Lots to think about for buyers and sellers
- Preparation is key and this will take time to prepare key elements for sale
 - financial DD
 - regulatory DD
 - legal DD
- Housekeeping – start early, keep it simple through risk profiling / CIP / platforms

Keep your eyes on the prize throughout the process and secure the best outcome for yourself and clients

A QUICK TATTON REMINDER



Tatton
Investment Management



Tatton Investment Management

Managed Portfolio Services

- Cost challenger access to DFM Services
- @ 0.15% – set the price for DFMs
- Available across 19 platforms
- Mapped to leading risk profilers

Established Tatton as the IFA's investment manager

Tatton Funds

- Simple, low-cost investment option
- Broadening access across wrappers, open architecture
- Robust investment process as in DFM MPS

Established Tatton as the cost-effective, multi-asset fund provider

Bespoke Services

- Tailored solutions for investors with specific requirements
- Available on platform for efficient trading and transparency

Tatton as a cost challenger alternative to traditional off platform bespoke

Three pillars to the business built around the needs of IFAs and their clients

Managed Portfolio Service – two strategic allocations, six risk profiles, 45 model portfolios

Two strategic asset allocations for two different types of client: Classic a higher allocation to UK based investments and the Global which exploits the opportunity of the wider global economy.



Tatton Managed Portfolios

The Tatton Managed Portfolios are constructed from actively managed funds with both **Classic and Global allocations**.



Tatton Core Portfolios

The Tatton Core Portfolios are a hybrid mix of passive and actively managed funds effectively blending returns from the two strategic approaches. Both **Classic and Global allocations**.



Tatton Tracker Portfolios

The Tatton Tracker Portfolios are constructed from passive funds with both **Classic and Global allocations**.



Tatton Income Portfolios

The Tatton Income Portfolios seek to generate reliable income and capital growth to ensure asset values stay in line with inflation. **Classic allocation only**.



Tatton Ethical Portfolios

The Tatton Ethical Portfolios combine negative and positive screening to align portfolios with clients' investment principles. **Global allocation only**.



Tatton Money Market Portfolio

Tatton's money market portfolio invests in money market funds that track the Bank of England Base Rate and as such is different to all other risk profiles.

Risk categories available:

Money market

Defensive

Cautious

Balanced

Active

Aggressive

Global equity

PLATFORM ACCESS AND RISK PROFILING – YOU DECIDE HOW

Available on 19 Adviser led platforms



Risk profile compatibility



Electronic Signature available for all new clients

THE TATTON DIFFERENCE

WHY HAVE WE BEEN SUCCESSFUL ?

Low cost – places the adviser at the heart of the value chain 0.15% total

Agnostic on platform, risk profiler, investment style, charging structure – you decide “how”

Non compete with adviser, platform only, IFA only, no D2C, Service Excellence

Breadth of Offering – Primarily Model Portfolios but also OEICS and BPS

Client Protection – We adopt the reliance on others approach

TIME TO SHINE

There's never been
a better time to be
an adviser

Justine Randall: There has never been a better time to be an IFA

Number of advisers not high enough to service client demand



Jenna Brown

18 April 2024 • 2 min read

SHARE



**A HUGE
THANK-YOU**

**YOUR SUPPORT
IS EVERYTHING**

13
Years

1,100+
Firms

£20.6 bn
AUI

150,000+
Clients

One incredible team of **53** people
Dedicated to the IFA sector
Thank You so much