



Kenyon Prendeville achieves win-win in difficult country sale

SNAPSHOT

The Seller

A trip to Western Australia changed the retirement plans of Malcolm Wallace, the owner of Forum Financial Services Pty Ltd in country New South Wales. Instead of a gradual easing out of the business, he decided on an immediate sale. Business profile: \$92m FUM (much of it on a Macquarie platform), 560 clients, many of them high net worth, \$375,000 recurring revenue.

The Challenge for Kenyon Prendeville

Forum Financial Services was a good business in a difficult location — Taree, in country NSW. It was going to take a large marketing effort to find possible buyers able to see the potential of the business.

The Buyer

Financial planner Glen Reilly was looking for a smaller, more individual business to replace one he had sold in Newcastle, NSW, which had become a “bit of a monster”.

The Result

An extensive marketing campaign produced interested potential buyers. Sold at a price that produced value for both seller and buyer. Seller pleased with the price and the smoothness and quality of the sale process - “The communication was excellent”; buyer happy - “the staff are fantastic, the clients are really nice, and the return on my capital has been the best part of 50%”.

The Seller

Malcolm Wallace, the owner of Forum Financial Services Pty Ltd in country New South Wales, was hit by a big sea change wave. He had already sold the Forster branch of his 16-year-old business to two of the financial planners who worked there and had been planning a gradual retirement and easing out from the Taree branch.

A trip to Western Australia for a conference and a side jaunt to the Margaret River area with wife Kay inspired a new plan: sell-up everything now and move on to a new adventure in Western Australia.

Wallace had handled the internal sale of his Forster branch with some assistance from Kenyon Prendeville, which had prepared the valuation documentation on which the sale was based. But he knew that selling the Taree branch was a tougher proposition.

“It would have just been too difficult for me to do,” Wallace said. “There was no natural market and it needed good marketing. If the business had been in a Sydney suburb, then people might have been beating their way to my door to buy it, but that’s not the case in country New South Wales.”

Despite its location, Forum Financial Services offered an attractive selling profile: a client base of 560, the majority of which were high net worth individuals or families, funds under management of \$92 million (around \$51 million of which was on a platform, the majority with Macquarie), recurring revenue of \$375,000, two staff,

and membership of the Australian Financial Services dealer group.

Wallace wanted his business sold in a timely and professional manner and to the right buyer. “We had a close relationship with our clients that we had built up over many years,” Wallace said. “It was hugely important that we found a successor that was going to look after our clients properly.”

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The Business Challenge For Kenyon Prendeville

Steve Prendeville said Malcolm Wallace was right in his assessment of the level of marketing required to find potential buyers for his business. “We did a lot of marketing to generate expressions of interest,” Prendeville said. “We did direct mail, advertising in magazines, marketing to our database, and even quite a bit of telemarketing to possible candidates in the region,” he said.

“Country businesses often present significant opportunities for growth. Forum was in good shape and would be a strong, ongoing business. We just needed that potential to be seen widely enough to find buyers willing to embrace the lifestyle and opportunities in regional Australia.”

The Buyer

Glen Reilly was also looking for a change. He had built a large financial planning and general advisory business in Newcastle, New South Wales, to the point where it had become “a bit of a monster”.

(continued overleaf)

Kenyon Prendeville achieves win-win in difficult country sale (continued)

"We were doing all different things for all kinds of people," Reilly said. "We had too many clients and I had too many staff, and I just wasn't enjoying it. So I kept my top 15 clients, sold the rest of the practice, and spent a year working with a colleague who had his own licence."

A year working under someone else's umbrella in an unofficial merger was enough for Reilly to recognise that this was not a long-term solution to his professional needs. "I realised that I wanted my own 'baby' and that this business was his 'baby', so the best move for me was to find something that I could call my own," he said.

Reilly knew that what he needed was a smaller business with fewer, wealthier clients who needed a more sophisticated investment offering through individual managed accounts.

The Result

Kenyon Prendeville's marketing campaign produced several buyers interested in examining Forum Financial Services. In a competitive sale process, Glen Reilly emerged as the preferred buyer with a good cultural fit and a desire to build a regional business.

Vendor Malcolm Wallace was pleased with the smoothness and quality of the sale process. "The communication was excellent," Wallace said. "Steve Prendeville's a good communicator, which became particularly important when it got to the negotiation stage. There was communication happening four or five times a day sometimes, which was absolutely vital because you are dealing with queries from financiers, lawyers, accountants and all sorts of issues."

Having previously handled the sale of a branch of his business, Wallace appreciated having someone else handle the details this time. "I had been down the road before and knew roughly what was involved," he said. "It was good being able to delegate out the whole task. There's nobody else to my knowledge that does it as thoroughly or as well [as Kenyon Prendeville]."

Wallace said he also appreciated Kenyon Prendeville's recommendation of a lawyer to use for the sale. "The lawyer was absolutely excellent," Wallace said. "I never thought I would ring a lawyer after a job and congratulate him and his team, but they couldn't have been any

better. You do need a specialist lawyer, because there are just so many strands to a deal like this."

Steve Prendeville said that he was particularly proud of the sale of Forum Financial Services. "This was a difficult job that took an enormous amount of marketing effort to find potential buyers," he said. "And we still managed to stick to our basic business tenets of getting a good cultural fit and achieving a win-win deal for the vendor and buyer. Malcolm got a good and fair sale price, and Glen got a good business going forward with strong potential for a lot of growth. It was a great deal!"

For Glen Reilly, Forum Financial Services' Taree business was the perfect structure into which to transfer his existing clients and to nurture a new 'baby'. "I liked the numbers, the potential upside, the staff and the client demographics," Reilly said. "The country town feel appealed to me, and Taree is only two hours' north of Newcastle, where our family and friends are."

Reilly found the negotiating process tough but fair. "Steve's a hard negotiator and I think he did a good job for Malcolm," Reilly said.

"It was the first time I had gone down this track and put my neck on the line, so there were times when I didn't particularly like Steve because obviously he was trying to get the best dollars for Malcolm and acting in the best interests of his client. Having been through the process now, I would rather Steve be on my side of the table than the other side!"



"We are almost at the first anniversary of our purchase; the staff are fantastic, the clients are really nice, and the return on my capital has been the best part of 50%." *Glen Reilly*

"I can honestly say that the deal that was struck was fair and Malcolm got fair value for his business, and I've been very happy with the opportunities that we have been able to create. We are almost at the first anniversary of our purchase; the staff are fantastic, the clients are really nice, and the return on my capital has been the best part of 50%."

Reilly said he would use Kenyon Prendeville if he was looking to sell a business. "I would stick to what I do best, and that's running a financial planning business," he said. "Kenyon Prendeville is building a name for themselves in this industry, so I think they are a good place to go if you are selling a business."