

GUIDE 2: THE BENEFITS OF A GOOD FIT FOR THE SELLER

Finding a strong fit between seller and buyer is important to a successful acquisition. When the ownership of a business changes, there are several distinct groups of individuals that are impacted. The following notes (set out in no particular order), provide some pointers on the benefits of a good fit for each group of people:

Clients

- Limited disruption in their immediate day-to-day experience. They see the same portal, with the same data set, in the same layout both before and after the acquisition.
- There is very little chance that the new firm will seek to change the client's investment management solution. A smaller firm selling to a slightly larger one is a situation that is unlikely to trigger wholesale changes in the client's proposition.
- There is also no incentive to change the fee structure of the proposition.
- There is a greater chance that most of the acquired team will stay with the new firm, which provides continuity for clients.

The Seller

- Provides the best possible chance that most clients and the seller's team will stay in place once the deal completes.
- They have a greater chance of securing a fair price for the firm; as the buyer understands the business, is comfortable with the integration process, can identify cost savings and is therefore able to identify a fair price to pay.
- They have a lower requirement for a highly structured transaction. A fixed transaction means greater certainty over deferred consideration payments, which helps from a tax perspective, as well as from an overall risk management perspective.

The seller's team

- There is an easier transition to the new firm, due to familiar roles, structure, clients, proposition, processes and culture.
- There is a better chance that the team will play a positive role in future changes in the wider business, as they are familiar with the operating model and can provide insight into future development.
- There is a greater chance of long-term job security and career progression in a growing firm with a similar ethos to the current firm.

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M228 Version (3) September 2025

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