

-REPORT

Annual Report 2021

Fairstone Group of Companies

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A year of **double-digit growth**

Throughout 2021, Fairstone Group made excellent headway on its core strategy and strategic growth plan, delivering double-digit growth across the business.

Combining acquisitive success with organic growth, the group has delivered considerable year-on-year growth, with revenue and gross margin significantly ahead of the prior year.



↑21%

FUM growth
(£10.9bn to £13bn)



↑16%

Acquisition
outperformance



↑11%

Staff headcount
(811 to 901)



↑12.6%

Growth in wealth clients
(26,000 to 29,038)



↑22%

Total revenue growth
(£69.7m to £84.8m)



↑10

new partners onboarded
into the Downstream Buy
Out (DBO) proposition

Our credentials



Incorporating one of the **largest CII Chartered Financial Planning organisations** in the UK



We remain **independent**, offering **whole of market choice**



Core managed investment portfolios have been Defaqto **5 star rating for six years**

Who we are

Fairstone is one of the fastest growing financial services organisations in the UK.

Headquartered in Newcastle and with a significant presence in London, Fairstone has a national footprint operating across over 40 locations and oversees £13 billion in funds under management for over 40,000 wealth clients.

We offer clients independent whole of market financial advice, while delivering intelligent solutions with no lower wealth limits or exit penalties.

We also offer a unique acquisition model for IFA businesses which you can read more about on **page 6**.

As a business we are committed to quality and delivering exceptional client outcomes, which has resulted in Fairstone continuing to carry a Defaqto 5 star rating for our core managed investment portfolios. In addition, our client satisfaction rating of 98% makes us the stand-out wealth management business as measured independently by Trustpilot.

40

Over 40 locations nationwide

£13bn

Funds under management

40,000

With over 40,000 wealth clients

98%

A client satisfaction score of 98% on Trustpilot

A full service wealth management house

Our clients benefit from a full service offering which includes retirement planning as well as wealth and investment management, all of which we can typically provide at a **60% lower cost than the market leader** through our transparent and flexible fee structure.

Our holistic approach includes:



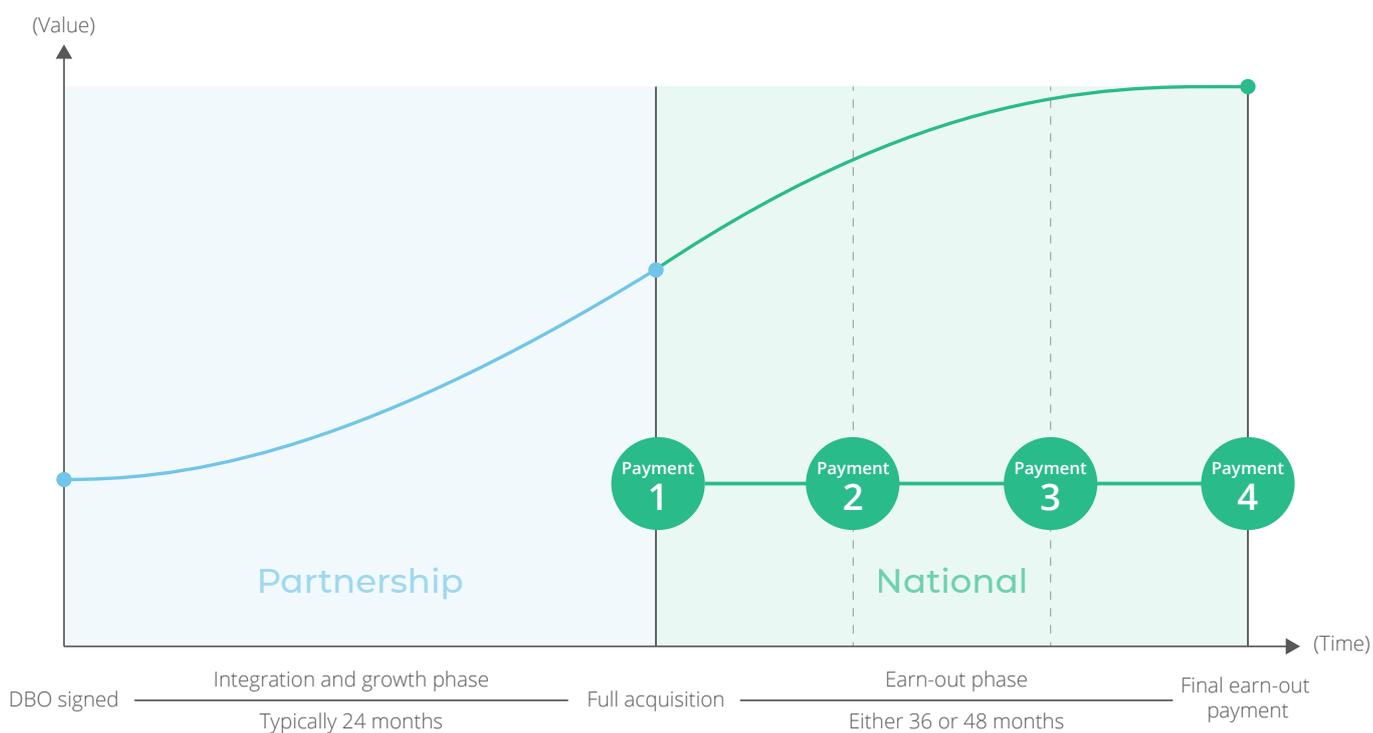
We are the **number one** rated wealth management house on Trustpilot and the **most reviewed** on VoucherFor



Our unique business model

Our standout acquisition model and progressive approach to growth puts us in a great position to help IFA businesses.

Our Downstream Buy Out (DBO) proposition supports the growth of IFA and wealth management practices, shielding business owners against a host of negative sector pressures, allowing them to optimise the sale value for their business and providing long-term stability for them, their staff and their clients.



Offering five layers of enhanced value



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



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



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



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



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

A decade of dealmaking

Achieving 10 years of M&A activity and our 50th acquisition are two landmark achievements which reflect our substantial growth as a business.

Thanks to the success of our unique business model and our progressive approach to growth, we now enjoy a truly national footprint, delivering first-class service to clients across the UK.

We share the upside

We have a long-term commitment to working in true partnership with successful business owners and sharing the value that we create together.

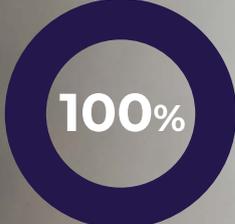
Every single one of the firms that we have acquired are achieving their target sale values and receiving pay-outs

that far exceed their original aspirations. On average the firms that have joined Fairstone under the Downstream Buy Out (DBO) strategy have banked 116% of their initial sale value, some a great deal more, and most importantly, none have received less than 100%.

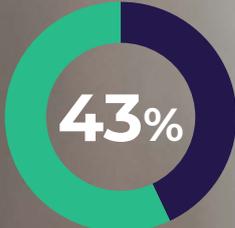
These results are unprecedented anywhere in the wealth advisory space and are a direct function of our unique approach - investing in growth ahead of the ultimate acquisition and then sharing the upside that comes from continued success.

Acquisition	Additional sale consideration secured	Total consideration payable as % of initial sale value
Acquisitions with earn-out fully completed	£ 4,542,132	111% Avg
Within final 6 months of earn-out	£ 588,128	104% Avg
Within final 12 months of earn-out	£ 265,511	102% Avg
Within final 24 months of earn-out	£ 3,785,030	124% Avg
Within final 36 months of earn-out	£ 2,229,432	111% Avg
Within bespoke earn-out period	£7,539,293	146% Avg
Total	£ 18,949,526	116% Avg*

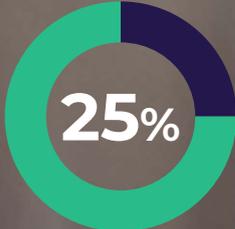




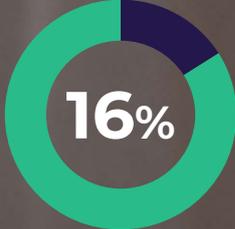
100% of partner firms received at least 100% of target earn-out value.



43% of partner firms received more than 5% excess above target earn-out value.



25% of partner firms received more than 20% excess above target earn-out value.



16% average excess sale proceeds across all acquisitions and all earn-out stages.



Don't just take our word for it

Here Angela Marston shares her experiences:

Fairstone Leek

"I looked to join Fairstone as my firm needed structure and compliance support so that my team of advisers could be freed up to focus on clients and developing the business.

Since joining Fairstone, we have grown turnover, FUM and net profits significantly."



Client numbers

↑ **43%**



Revenue

↑ **42%**



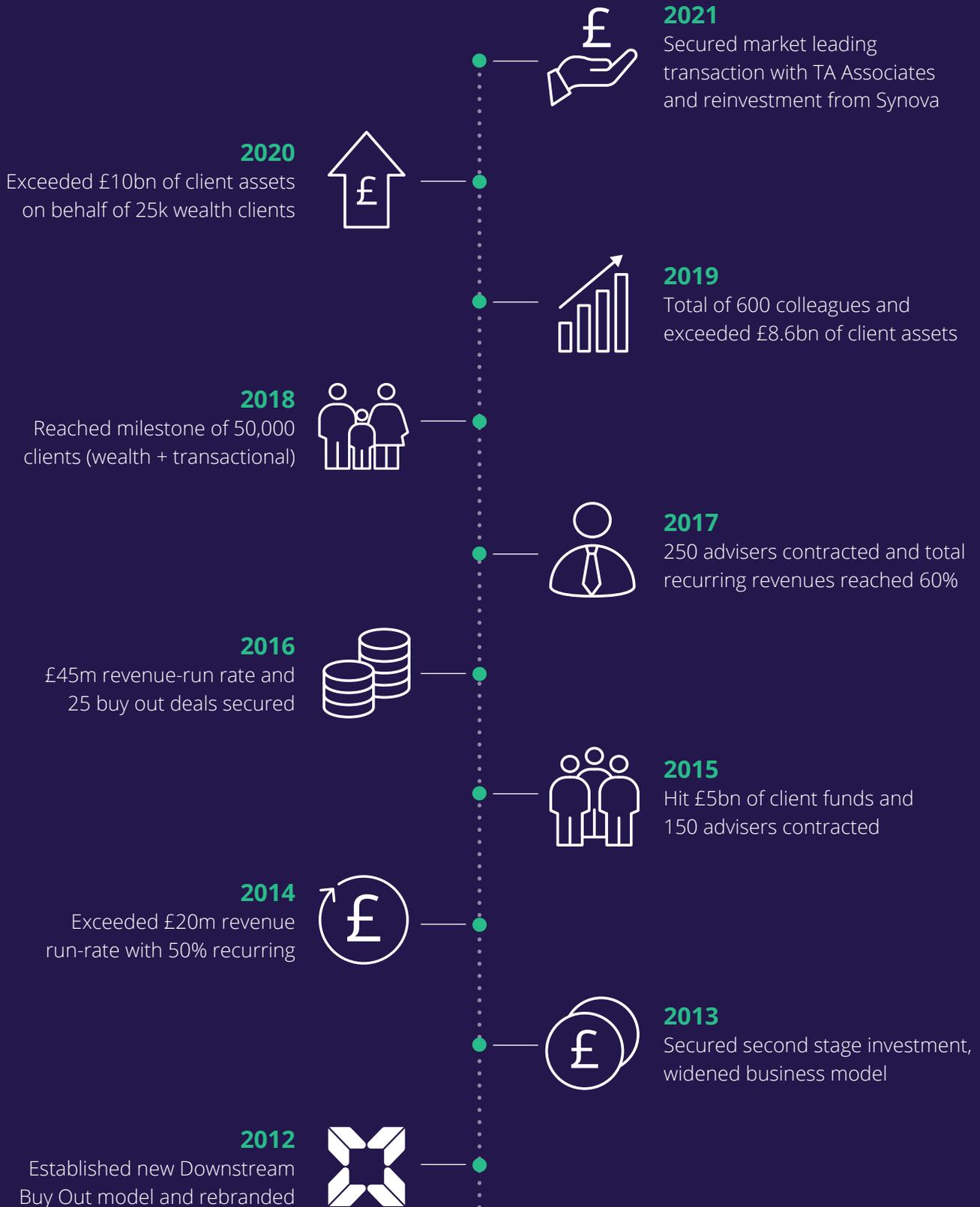
FUM

↑ **43%**

"Being part of the Fairstone group has enabled the business to grow organically in a safe and compliant manner. 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

Our history



Our values

Business principles and culture

Many businesses talk about their values, however, as Fairstone incorporates one of the UK's largest Chartered financial planning firms, we can demonstrate the highest standards and ethics throughout all aspects of our business.



We've upheld the **gold standard** for financial advice **since 2015**



Customer choice

Our full-service offering is available to all clients. All **our advisers provide completely independent, whole of market financial advice** and we are not tied into any particular products or services.



Outstanding service

At Fairstone, you are guaranteed the highest level of customer service. We have an exceptional client satisfaction score and **each year we attract a 15% increase in our client base**. We have specialists in every area of financial planning all of whom are prepared to go the extra mile to deliver first-class customer service.



Quality advice

All of **our advisers are trained to the highest level** and through the Fairstone Academy have access to the training they need to be the best that they can be. Our focus is customer-centred, with **individual and specific advice designed to identify and develop a solution which is unique to each customer**.



Sustainable growth

If our clients are the heart of the business, then sustainable growth is the backbone. We are committed to delivering **integration led growth and supporting quality firms to reach new horizons and achieve their target sale value**. Our 'sell and stay' proposition ensures we retain all key stakeholders within the business after acquisition ensuring continuity for staff and clients alike.

Financial strength

Fairstone remains extremely well-funded and following TA and Synova's investment on 24 February 2021, has the ongoing support of a wide shareholder base. This has underpinned the double-digit growth we have seen across the business, giving our companies the ability to draw capital from a number of sources as well as providing further avenues for external financing.

The balance sheet at the year-end has net assets of £157m and the debt on the group's balance sheet remains manageable within the cashflows and profitability that the business delivers, while reflecting the acquisitive growth the group has undertaken.

The group receives acquisition funding from Alcentra with additional funds made available from Lloyds Banking Group.

At Dec 21 £60.1m is drawn of a £130m facility this includes an additional £50m commitment made during 2022.

These scalable facilities provide a robust foundation for the business to accelerate growth and deliver sustained success.

Alongside this Fairstone's organic growth has accelerated over the last financial year. On 31 December 2021, Fairstone reported **29,038 wealth clients, a 12.6% increase on the previous year.**

Of these clients we saw an 19% rise in recurring income across the business, and client retention rates for the financial year were 98%.

Repeating income, which encapsulates all revenues generated from existing clients, stood at 93% of turnover.

Fully embedded EBITDA, including the EBITDA of partner firms yet to be acquired with an active agreement for purchase, continues to rise as the firms within our DBO proposition mature through the process. Should all firms that recently signed the DBO be acquired, the fully embedded EBITDA at the end of the financial year was £25m, up from £19m at the end of 2020.

Our adviser numbers continue to rise, and we now have **415 advisers across the business with 67% managing the relationships with wealth clients and 33% supporting our transactional service.**

This provides extraordinary resilience to our trading, and we have been able to rely on high levels of recurring income, together with a high degree of new business from existing client relationships.

29,038 +12.6%
Wealth clients

Summarising 2021:

- Adjusted EBITDA** was a profit of **£12.8m**
- Exceptional items represent **£6m** in respect of acquisition costs less exceptional receipts of £0.4m
- All regulated subsidiary undertakings are trading profitably
- Regulatory capital remains well above the required levels in all relevant subsidiaries

** Adjusted EBITDA is earnings before interest, tax, amortisation, depreciation, share options and exceptional items which are significant items that are one-off in nature and do not reflect the underlying performance of the group.

Comparing FY21 to FY20:

F.U.M.

£13.0bn +21%

21 **£13.0bn**

20 **£11.0bn**

Recurring income

£62.2m +19%

21 **£62.2m**

20 **£49.3m**

Revenue

£84.8m +22%

21 **£84.8m**

20 **£69.7m**





CEO statement

A year of accelerated organic growth

Fairstone entered 2021 with the momentum of substantial progress and strategic growth, alongside the combined expertise and backing of TA Associates, Synova and Alcentra underpinning the business' growth trajectory.

I am delighted to say that throughout the year, the group continued to move forward, building value and delivering sustainable returns and double-digit growth for the business, as well as continuing to provide the highest level of service to our clients.

Reinforcing our commitment to invest in growth, during 2021 Fairstone acquired eight new businesses and brought 10 businesses into our DBO acquisition proposition. Combining our acquisitive success with organic growth delivered considerable year on year growth across all metrics, with revenue and gross margin significantly ahead of the prior year. >>

Fairstone acquired eight new businesses in 2021 and brought...

10 new businesses into our DBO proposition

Clients

At Fairstone, everything starts with our clients and an informed understanding of their needs. The business operates with complete transparency to ensure we deliver clear, first-class client outcomes. This has resulted in Fairstone being independently ranked the number one-rated wealth management house on Trustpilot for the fourth consecutive year.

Our annual Client Index which highlights three very tangible outputs; client satisfaction, repeating advice and investment cost savings; also illustrates the overarching value we bring to our clients.

Our latest figures show a 98% client satisfaction score, repeat advice levels of 93% which illustrate a clear measure of trust and confidence in the business, and £5.3m of investment cost savings passed directly to our clients.

We have a very loyal client base, which is a clear measure of the trust and confidence they place in us and is testament to our advisers and the excellent service they provide.

Client numbers reached 86,000 (29,000 wealth clients and 57,000 transactional) recurring income increased to £62.2m, up from £49.3m, an increase of 19%. Repeating income, which encapsulates all revenues generated from existing clients, stood at 93% of turnover.

As we look to the future, we are committed to developing our client proposition to ensure that it continues to deliver first-class outcomes and meets the requirements of all our clients. >>

98%

client satisfaction

93%

repeat advice levels

£5.3m

investment cost savings
passed directly on to clients



Acquisitions

Acquisitions form a key part of our growth strategy and I'm delighted to say that every single deal we aimed to complete in 2021 was concluded. The success of our proprietary Downstream Buy Out (DBO) acquisition model, is continuing to deliver exceptional results and to drive growth, with a series of deals with partner firms being completed at various stages within the financial year.

Aimed at the owners of successful IFA firms looking to optimise the future sale value of their business whilst ensuring that clients and staff are not compromised as a result of the transaction, our acquisition model is centred around partnership rather than outright purchase.

Buying businesses isn't difficult, but integrating advisers, staff and clients into one cohesive robust business that delivers sustainable growth, without diluting our vision, values and quality, takes time.

This long-term commitment to working in true partnership with successful business owners enables us to share the value that we create together, and shareholders can unlock five layers of enhanced value, to grow both before and after acquisition.

Consequently, all firms who join our DBO programme continue to meet or exceed their target sale values and consistently receive consideration far above their original transaction target. As part of our commitment to transparency, we regularly publish the earn-out data on all acquisitions to date, which this year showed that firms received an average of 116% of the initially agreed sales value across the entire portfolio, up from an average of 111% last year, with none receiving less than 100%.

The fact that 94% of wealth advisers and 100% of principals choose to maintain their careers with Fairstone, even after factoring in planned retirement, demonstrates the long-term relationships we forge both before and after acquisition.

Throughout 2021, 10 firms joined the DBO programme with a view to full acquisition within the next two years. In addition to these onboardings, we completed eight acquisitions at a gross cost of £24m. Meanwhile interest in our unique offering remains strong and our pipeline extends well into 2023.

Looking ahead, the solid performance across the key metrics of the business is further bolstered by Fairstone completing a market-leading transaction with global equity house TA Associates in February 2021. The deal, which marked a standout milestone in Fairstone's progression, saw funds advised by TA take a significant stake in the business. The investment formed the central aspect of a triple boost for Fairstone. Private equity backers Synova Capital also reinvested into the group whilst funders Alcentra also increased the scale of the acquisition facilities available to the company.

Our uncapped long-term capital resource and new shareholders who have a shared long-term outlook, further underpins and accelerates our ambitious acquisition programme.

So far during 2022, we have brought five firms into the partnership through our DBO model and completed five acquisitions, and the business is well-placed to grow further in a safe and sustainable way.

As we sit today, 10 months on from our last financial year-end, we have already seen run-rate revenues hit £100m when we factor in the impact of our most recently completed deals and FUM has exceeded £13 billion. >>

94%

Adviser retention rate including planned retirements

£13bn

Funds under management

£100m

Run-rate revenue



Our people

At Fairstone we believe in investing in growth, and this applies to our people and our national footprint, as well as revenue figures and acquisitive growth.

We have continued to expand into new geographies and have also maintained our relentless focus on innovation.

In 2021, this led to the creation of new contemporary hubs in Glasgow and the East Midlands and a new London office in the heart of the City, all with improved technology infrastructure and collaborative areas to support agile working and 2022 has seen us move into the Irish marketplace.

We are committed to supporting the development of all of our people and the Fairstone Academy is fundamental to our progression strategy. We offer everyone within the business a development pathway and as a result 67 advisers are on the pathway to being Chartered and 19 are pursuing other professional qualifications.

Looking to the future, we are dedicated to nurturing new talent, forging links with universities across the country and supporting the development and recruitment of ambitious graduates across the UK.

Our commitment to our people has seen retention rates remain consistently high across the national arm of the business. In the last financial year, we saw an adviser retention rate of 94%.

67 A further **67 advisers** on the pathway to being Chartered

Looking forward

There is no doubt that 2021 was a year of accelerated growth. The great news is the momentum we have carried forward into this period is highly impressive and only shows signs of maintaining this trajectory.

Evolving our strategy

We believe that Fairstone has a huge opportunity to firmly establish ourselves as the whole of market leader.

Our long-term strategy hinges on three core themes:

1

Enhance what is already proven

2

Widen our business model into some adjacent areas

3

Set a **NEW** and sustainable pace of growth



Clients

We want to enhance our proposition to deliver more value. This includes:

- Family benefits to create an accessible entry point to financial planning
- Junior Finance Academy to provide financial education to the younger relatives of our clients
- Mineral service to offer early-stage accumulators simplified, remote advice



Acquisitive growth

We're taking a more ambitious look at our rate of growth increasing the number of partnerships we enter by 10% each year. This means that in five years' time, we'll have increased growth rate by over 50%.

- Increasing number of DBO deals
- Providing capital to **support satellite acquisitions**
- Targeting selected larger portfolio-led firms



New markets

As part of the strategy we want to widen our audience and be even more selective. As part of this we plan to:

- Expand into Ireland
- Develop new private client teams
- Create an opportunity for AR firms in networks to crystallise their true value

Governance

Meet our leadership team



Lee Hartley
Chief Executive Officer

Lee founded Fairstone in 2008, and has been integral to its growth, taking the business from startup to market-leader, by overseeing the development of the business strategy and acquisition programme.



Iain Jamieson
Chief Finance Officer

Iain is a qualified Chartered accountant and has been the CFO of leading private equity backed companies including Volutions Holdings and Clinical Solutions.



Tom Taylor
Chief Risk Officer

Tom has spent the last 25 years in financial services across the banking and insurance sectors in companies such as Marsh McLennan, Lloyds Banking Group, Jelf, and Ageas.



Steve McNicol
Chief Development Officer

Steve is a qualified lawyer with experience in professional services leadership, building and developing successful teams to deliver growth. He has worked with Deloitte, Hogan Lovells, Muckle and Ward Hadaway.



Adam Smith
Chief Operating Officer

Adam is a senior financial service professional and brings with him 20 years of experience including commercial director positions at Old Mutual, Cofunds and Legal & General.



Greg Horton
Chief Technology Officer

Greg has a proven track record across the sector with 20 years' experience in a range of senior roles working for LV=, Direct Line Group, Close Brothers and Brewin Dolphin.



Anna Pollins
Managing Director (Partnership)

Anna has over 15 years' experience in financial services. After spending nine years at Raymond James Investment Services Anna went on to work at Octopus Investments in business development.



Mike Slater
Managing Director (National)

Mike has over 20 years' experience within the financial advice and investment management sectors and has held senior executive roles at Zurich, Openwork and Octopus.



Steve Easter
Managing Director (Mortgages)

Steve started his career in retail financial services in 1989 building a profitable financial service offering within some of the largest estate agents in the North East of England before joining Fairstone.

Reflections from the Chairman

It's been an unbelievable 10 years since I joined the Fairstone board and looking back on the past decade three key elements stand out for me as the bedrock our organisation.

Clients

As with any business our clients are the business. We took the decision early on to stay independent and whole of market. We simply could not see how it could ever be in a client's best interest to be sold an expensive solution from a restricted product range.

The model

The DBO model was not something I invented, but I could see the sense in it from the beginning. So many outright acquisitions in any sector go wrong and the reason is usually that people have not taken the time to fully understand what each party needs out of the transaction.

So, an engagement if you like, where both sides take the time to get to know the requirements, preferences and respective cultures has always made sense to me and I know I am not the only one to think that it is a serious differentiator in the wealth management sector.

After 10 years of dealmaking and 50 acquisitions we have proven the model. This year we again reported outperformance across all of our acquired firms with an average payment of 116%.

This 116% is not to be compared to 100% as most alternative models typically deliver something closer to 80% highlighting further how much our proposition stands out from that of our peers.

Financially strong

From the start we knew that we wanted to develop long-term relationships with private equity houses to provide the financial muscle to fuel our planned growth.

I feel very fortunate to have found those partners in Synova Capital and subsequently TA Associates both of whom share our vision for Fairstone's future.

The future

There are a multitude of challenges ahead but if we stay true to our core pillars, we'll steer our people and our clients through the uncertainty.

Also ahead is huge opportunity, we know that a wealth waterfall is on the horizon as the intergenerational transfer of wealth happens. As an industry we have a huge role to play in this. The numbers are large. The complexity is mind boggling. The need for advice is enormous.

Personally, I believe that as a business we are incredibly well positioned to offer the long-term relationships that these prospective clients need and I look forward to seeing how the business grows over the next 10 years.



David Hickey
Fairstone Chairman

116%

This year we again reported outperformance across all of our acquired firms with an **average payment of 116%**.

Financial statements

Fairstone's group structure

During 2021 a new corporate structure headed by the Fairstone Capital Group was created to facilitate investment from global private equity house TA Associates and the reinvestment into the group by Synova. As a result of this Fairstone Capital Group became the new ultimate parent company for the Fairstone group of companies on the 24th of February 2021. In this report;

- The 2021 figures represent the current structure as if it had been in place for the entirety of 2021.
- All 2020 figures presented in this report reflect the previous group structure.
- No change in client related activity and statistics are caused by the change to the ultimate parent company.

Fairstone Bidco Limited

CRN: 132959 Jersey (100%)



Fairstone Midco 2 Limited

CRN: 132956 Jersey (100%)



Fairstone Midco 1

CRN: 132960 Jersey (100%)



Fairstone Capital Group Ltd

CRN: 132957 Jersey (100%)



Fairstone Capital Investment Ltd (FCIL)

Company No. 09928851 - Registered 23/12/2015



100% Subsidiary FCIL



Fairstone Executive Management Ltd (FEML)

Company No. 09937345 - Registered 06/01/2016



100% Subsidiary FEML



Fairstone Group Ltd (FGL)

Company No. 06599555 - Registered 21/05/2008



100% Subsidiary FGL



Fairstone Holdings Ltd (FHL)

Company No. 06599571 - Registered 21/05/2008



100% Subsidiary FHL



Clearworks Ltd

Company No. 06617912 - Registered 12/06/2008

Fairstone Private Wealth Ltd*

Company No. 5869447

Registered 07/07/2006 - FRN. 457558

Fairstone Financial Management Ltd*

Company No. 05574120

Registered 26/09/2005 - FRN. 475973

Fairstone Corporate Solutions Ltd

Company No. 06617851 - Registered 12/06/2008

Fairstone Wealth Management Ltd*

Company No. 03593750

Registered 07/07/1998 - FRN. 188596

*FCA authorised and registered

Consolidated income statement

Continuing operations	Year ended 2021 (£'000)	Year ended 2020 (£'000)
Revenue	84,765	69,661
Cost of sales	(52,764)	(47,659)
Gross Profit	32,001	22,002
Other operating income	206	41
Administrative expenses	(19,395)	(16,652)
Adjusted EBITDA	12,812	5,391
Exceptional costs	(5,523)	(1,431)
Share option charge	-	(750)
Depreciation of tangible assets	(1,553)	(1,125)
Acquisition related income statement charges	132	(1,512)
Amortisation of intangible assets	(3,398)	(2,805)
Operating profit/(loss)	2,470	(2,232)
Finance costs	(6,855)	(3,224)
Loss before tax	(4,385)	(5,456)
Tax (charge)/credit	(3,424)	1,264
Loss for the year attributable to the equity shareholders of the company	(7,809)	(4,192)
Loss attributable to:		
Owners of the parent	(7,823)	(4,201)
Non-controlling interests	14	9
	(7,809)	(4,192)

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- All 2020 figures presented in this report reflect the previous group structure.

Consolidated statement of changes in equity

	Share capital (£'000)	Preference shares (£'000)	Accumulated losses (£'000)	Minority interest (£'000)	Total (£'000)
On incorporation	—	—	—	—	—
Issue of share capital	2,765	163,110	—	—	165,875
Loss for the period	—	—	(8,609)	14	(8,595)
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	(8,609)	14	(8,595)
Acquired	6	—	106	19	19
Dividends	—	—	—	(19)	(19)
Balance at 31 Dec 2021	2,765	163,110	(8,609)	14	157,820

Consolidated balance sheet

		2021 (£'000) FCG (New group structure)	2020 (£'000) FCIL
Assets			
Non-current assets			
Goodwill	10	180,473	43,533
Intangible assets	11	95,267	59,218
Property, plant and equipment	12	4,727	3,333
Investments	13	—	—
		280,467	106,084
Current assets			
Trade and other receivables	14	5,039	4,756
Corporate tax debtor		782	450
Cash and cash equivalents	15	7,539	1,901
		13,360	7,107
Total assets		293,827	113,191
Liabilities			
Current liabilities			
Trade and other payables	16	12,959	13,183
Deferred purchase payables	18	17,442	18,170
Corporate tax payable		—	—
Finance lease liabilities	20	804	769
Provisions	17	40	1,660
		31,245	33,782
Net current liabilities		(17,885)	(26,675)
Non-current liabilities			
Trade and other payables	16	—	—
Deferred purchase payables	18	27,002	14,702
Bank loans	19	60,135	32,983
Finance lease liabilities	20	2,021	1,106
Provisions	17	780	508
Deferred tax	21	15,364	9,255
		105,364	58,554
Total liabilities		136,547	92,336
Net assets		157,280	20,855
Equity			
Share capital		2,765	2,074
Preference shares		163,110	28,133
Share option reserve		—	1,029
Accumulated losses		(8,609)	(10,400)
Equity attributable to owners of the parent		157,266	20,836
Non-controlling interests		14	19
Total equity		157,280	20,855

- The 2021 figures represent the current structure as if it had been in place for the entirety of 2021.
- All 2020 figures presented in this report reflect the previous group structure.

Principal risks and mitigations

At Fairstone, any risks that could impact upon our performance, business model, strategy or clients are closely monitored and managed via our robust and entrenched risk management framework and internal control strategies and processes. Our key mitigation strategies include:



Regulatory and conduct

The risk of new regulation or existing interpretation having a material impact on the group's operations or cost base. Fairstone has a first-class regulatory record driven by a risk-averse approach, an exceptional quality framework and robust compliance systems.

Compliance due diligence is conducted on every partner firm before they onboard to Fairstone to ensure that all new entrants are aligned with Fairstone's ethos. The group considers that it has the necessary infrastructure and experienced personnel in place to deal with changes to the regulatory environment, when they arise, to ensure that our clients and the business as a whole are fully protected.



Market risk

The group does not hold any financial assets which are directly correlated in value to the market. However, part of the recurring revenue of the business is linked to asset values on global equity and bond markets. Any material reduction in market prices, together with the resultant challenges to investment fund performance in periods of volatility, can result in downward pressure on asset prices. This volatility was seen during the run up to Brexit and at the start of the Covid-19 pandemic. In these instances the market conditions can provide a challenge in maintaining the attractiveness for clients to invest further capital and retaining the value of assets under advice. The business has significant protection against short term market reactions due to the multi-asset nature of our clients' holdings added to the fact that the vast majority of assets are held within tax wrappers.



Liquidity

The business model of the group is capital intensive and requires a significant amount of funding to execute. In line with the group's obligations to the Financial Conduct Authority the business maintains regulatory capital within its regulated Companies at levels which are well in excess of the minimum requirements. These requirements are proactively monitored by the business and appropriate long-term forecasting provides us with forward visibility of capital requirements.



Technology and information security

The group operates a technology-led advice process using its own proprietary software and has for business purposes a large quantity of personal client data. The risk of service outages or data leaks impacting the operational business or resulting in the exposure of clients' personal data is a significant risk. To ensure that storage of data held is secure and infrastructure is robust, best practice is constantly monitored and is part of ongoing investment and upgrade.

Market opportunities

Amidst a rising cost of living, inflation and fluctuating markets there is arguably more of a need than ever for professional financial advice, supporting the population to preserve their wealth and plan for their long-term futures.

Missed opportunities and space for growth

These ongoing socio-economic impacts are underpinned by existing market opportunities. **A recent report from the FCA shows that only 8% of adults have received financial advice.** The report went on to conclude that many consumers are still holding money in cash that could be invested to provide potentially higher returns, but they have not sought or received the help with their finances that would enable them to make better investment decisions.

An ageing population brings new challenges

This coupled with recent government statistics showing that **10 million people in the UK are expected to live to the age of 100**, poses a challenge and a wake-up call to our sector. It demonstrates the need for tailored financial advice along the different stages of a lifetime financial journey and illustrates the importance of an ongoing service to review the implemented plan, taking into account changes to individuals' circumstances, demands and needs.

Bringing advice to the next generation

Further to this, industry estimates claim that around **£5.5 trillion will be passed between generations in the next 30 years**, creating a new wave of consumers who need to know the value of investing and financial planning. Educating the next generation is paramount to ensuring they are empowered and have the time to plan for the future.

A profile photograph of a man with short, light-colored hair, wearing a dark suit jacket and a white shirt. He is looking towards the left of the frame. The background is dark and out of focus, with some blue and purple light accents.

8%

Only **8% of UK adults** have received financial advice

10m

10 million people in the UK are expected to live to the **age of 100**

£5.5tn

£5.5 trillion will be passed between generations in the next 30 years

Half year at a glance 2022

As we sit today, 10 months on from our last financial year-end, **we have already seen run-rate revenues hit £110m** when we factor in the impact of our most recently completed deals and **FUM has exceeded £13 billion**. The momentum we have carried forward into this period is highly impressive and only shows signs of accelerating.

INVESTING IN GROWTH



We've seen

94%

adviser retention pre and post acquisition...



...and

100%

principal retention pre and post acquisition



...as well as

98%

client retention pre and post acquisition



Our organic **client growth** stands at

8.5%



Our organic **recurring income growth** is

12.9%

MAXIMISING VALUE

16%

Our acquired firms achieved an average of 16% outperformance against target sale value.

SIZE AND SCALE



We have

430

regulated advisers



alongside

575

operational staff



FUM reached

£13bn



We arrange

£2.5bn

annually in property finance



We have recurring fee income of

75%



and total repeating income of

93%

Whether you're looking for advice for the first time, a review of your portfolio or a second opinion, Fairstone can help.

We offer all new clients a no cost, no obligation initial consultation.



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