



Martin Baines: The Interview

Interviewed by
Holly Rabin & Nigel Bromley

Martin's warmth and easy-going nature belies both the amazingly successful career he's enjoyed and his completely fearless nature, from borrowing millions of pounds, to buying 60 businesses. He is currently Non Exec Director at Amber River and a Partner at Heligan Group, where he specifically helps us work with his in-depth knowledge of the wealth management and IFA sectors.

We caught up with Martin at Heligan's Mayfair office, where he shared his insights into the industry and gave predictions for the future. As we settled into our seats with a frothy coffee, we started by asking about his early career...

Q: How did you start your career in wealth management and get to present day?

M: Oh gosh, well I left University and thought it would be a good idea to start my own firm! But it was the late 80's and a stressful time for businesses. I got the chance to join a firm in Birmingham called Albert E Sharpe and after

that I got the opportunity to join Quilter and eventually ended up as CEO in London. Morgan Stanley had bought it, and then I got the opportunity to buy it from them. So, my first experience of private equity borrowing was in 2012 when we bought it for £172 million. Two years later we sold it to Old Mutual for £360 million, which I learned was a good private equity deal.

Q: What an audacious story! When did you first encounter IFAs?

M: I worked for Old Mutual for a while afterwards, and that's when I came across IFAs for the first time. We were the wealth management division at that time, so I joined the Board.

A little later, with a friend Mary-Anne McIntyre, who was CEO of Openwork, we started a buy and build consolidation group. Originally, we called it Socium, and now it's called Amber River.

So, post 60-odd acquisitions, we're now £14 billion of assets. We are 600 people, we have offices in most cities, and we're pushing £50 million EBITDA. From a standing start, we're now the 8th biggest nationally in the UK.

Quite some credentials, which makes Martin an ideal commentator on the IFA sector. We continue with another question.

Q: So, starting from University with your own business through to the first time you used PE money in the many millions, are you a fearless person?

M: Borrowing £170 million quid certainly makes you think! With Amber River we borrowed loads more. At some point you'd say, do we believe in the idea? The IFA consolidation was to buy 60-odd, but you need to look at around 600 businesses.

Q: What sort of criteria were you looking at when buying IFAs?

M: We were looking for a very specific set of requirements. First of all, there are obvious things, like when you're looking at the IFAs one of the risks is if you buy an IFA, you buy a lot of problems, such as problems with the back book, so we avoided all those that did pension transfers. We had a clean piece of paper, so we didn't need to buy things that would cause us a problem.

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We wanted it clean, clean in terms of DBTs and pension transfers, and clean in terms of other FCA problems. There's been a lot of fines around recently, for example, on something called Continuous Advice. And people like St James's Place and my old firm Quilter have had to provision millions of pounds.

The learning is, when you are buying things, don't recreate your mistakes. So, looking on it hard, looking at all the regulatory potential hurdles, including

pension transfers, looking at things with a good EBITDA history rather than trying to buy something to turn around, because that just makes it really difficult. So just finding things that are high quality, with good people that are on the same page in terms of what they want to do.

Q: Who professionally inspired you the most or has helped you the most in your career?

M: When we sold the business to Morgan Stanley, I had a number of bosses. They were really good and really trusted me. My boss at Morgan Stanley was Marianne Hay. She really helped me – she encouraged total commitment. When she moved to Citi Group, they then bought us. And later Morgan Stanley bought us back. But, we only went to Citi Group because Marianne was there. She was fantastic.

Q: While we are talking about influences, as you know at Heligan we have a vibrant graduate programme. They've taken quite an interest in wealth management. What would your advice be for your younger people starting out today?

M: Well, my son is just doing his final year in maths and economics and wants to get into the industry. Honestly, there are decisions to be made. You either want to go into wealth management or you want to go into advice, and they are very different.

M: It used to be that IFAs came from all sorts of walks of life, often retrained from other jobs. Now I think it's becoming really professionalised, if you look at large groups like St. James' Place or Quilter that have their own academies and give you a good background and see you through the exams. And once you are qualified, you've then got choices. You can either work for one of the big groups or you can set up on your own, but you have a background and the qualifications to fall back on.

If you want to get into wealth management, well, your choices are endless. First though, it depends whether it's private wealth management or whether you want to get into institutional wealth management, the two again are poles apart.

If you consider private wealth management, there are so many around, Quilter Rathbones, Brewin-Dolphin or Sarasin. All really good firms and all dealing primarily with high-net-worth clients in pretty much a similar way.

Then you've got the private banks like Morgan Stanley or Citibank or whatever, dealing with ultra-high net worth private individuals. And then you've got all the derivatives of investment banks dealing with institutional clients.

So, very different. Very different career trajectories. And for anyone who wants to talk about it, I'll happily bore them for hours!

Q: What do you think about the current regulatory environment?

M: The regulator shouldn't really be a price regulator. They should be a regulator that protects people from bad actors. I think they do a reasonable job with that, although they can get a bit tied up on areas of particular interest or things that grab them in that moment, and then they can pursue, and the risk is that they can shake it until it's dead.

“ I think they do a reasonable job ”

But I think at the moment, the industry is in a good place and in good shape, and so people want to join it. Now I think it's much better than it was. I mean, 20 years ago, it was a bit like the wild west. Now it is much more professional. The acid test for me is, do people say, I want to be a dentist, a doctor, a financial advisor. More and more they do.

I used to say to people at University, if you want to put a course on where you could guarantee 100% employment at the end of it, teach a financial services course. There is such a need for people to come out the other end. I still think the handicap to the industry is finding good people who want to stay on board for a proper career and Universities could help with that... anyway that's my bugbear!

Q: If we're speaking to IFAs, how could they mitigate the impact of regulatory changes without stifling growth?

M: Well, that's difficult. I think that there are two types of IFA. There are those that think "well, I've done it like this all my life. I've done this since I was a boy, and I'm not going to change" and there are those who are younger, probably more agile. But the older generation are dying out, selling out and passing their assets down to the other people. My advice would be to be aware. I think just being aware is critical. Then when they see what the regulator is doing – look for the themes. Then get on top of it.

So just get on top of it, get ahead of it. Accept that there are going to be things like vulnerable clients and things you'd have to get on top of to treat properly. Be pragmatic and get on top of potential issues.

“ ... this trend towards IFA is just getting bigger in these roll-up ventures ”

Q: What excites you about the industry at the moment?

M: Well... that's difficult. The thing that's characterised the industry of late has been this, there have been over 20 private equity backed roll ups of IFA businesses.

Now, I couldn't name 22 PE firms. Let alone PE firms that are doing this in the IFA sector. Obviously, I've been involved in one of the big ones, but one of the things that's happening is this trend towards IFA is just getting bigger in these roll-up ventures.

What that means is there'll be fewer, larger groups around to get the critical mass. Think about things like Continuous Advice. If you're a single practice or a one-man band, this could put you out of business. Whereas the larger firms like Quilter have the ability to prepare for and weather the storm. That suggests to me that this is not going to be a space that is conducive to the old one-man bands on the street corners doing what they used to do.

Whether that is exciting or not you can judge, but that is the trend I'm seeing at the moment. And you can see that reflected in the multiples for IFA businesses too. When we started three years ago, it was quite easy to find and buy firms on 5 and 6 times EBITDA. Now you can be paying up to 12 times EBITDA.



Q: What do you see as the biggest risks and how can business prepare for them?

M: If you look to the biggest risk of running and owning a big group, it's the regulatory risk. If the regulator finds reason to come in, you're probably looking at at least a year's worth of EBITDA down the drain while you try and scramble around.

I think the reality is, if you're trying to achieve at some point a large exit and creation of value, then what are the regulatory risks of having intervention? Because it ties up all of your management time. Whereas, the more normal risks of the industry are a bit different – and I think much better understood. And most firms I see are very capable at navigating the normal risks of doing business.

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Q: In terms of opportunities, how you do see technology transform in the wealth management industry over the next decade?

M: It's interesting. Most of the technology-led advice groups came out with a lot of fanfare, but, by and large haven't worked, not because they weren't a good idea, but I believe people want to talk to people and want to build trust and the rapport with people.

I think AI will inevitably help in terms of the paperwork, completing contracts and regulatory stuff. Of course AI will help, but I believe, genuinely, people want to speak to people. And nothing gets them more frustrated that having to go through endless chains of AI linked stuff.

So many times, when you see a good advisor, they're patient. They get on with the people.

They know about them, their children, their families. And they'll never go anywhere else. They know that person has invested time and effort in them. And I still think for most people, that's what they want.

What they don't want necessarily is to be just to be led down a path and have things selected through an Artificial Intelligence programme. So, I'm a believer in the people side, I think that will continue for as long as we want to talk to people.

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Q: For my last question, what do you suggest that an IFA should look for in the partnership when they select a PE firm to partner with?

M: It's generally down to size in terms of EV – enterprise value. Coupled with the types and sizes of investments that a particular PE firm is making.

Are you going to go into the buyer's "machine" – whereby on day one you are going to change your name, change the charging structure, change the literature, change the product mix. Whereas other acquirers want you to stay the same, so on day one nothing changes. We will help you. And guide you in terms of compliance and all those good things. But what made you successful won't change.

Finding acquisition targets is one of the most difficult things for PE firms. So, I can tell you that they'll be interested if you can get that initial relationship via firms like Heligan Group.

By this point, Martin's phone was buzzing and he swirled out of the meeting room to go to his next meeting with some lawyers, saying he'd like another coffee before he puts his battle gear on!