

CURRICULUM VITAE

PHIL FRAPPLE

- 2011-present** • Nexus IFA, director and senior IFA
- 1999-present** • Nexus Financial Planning, partner
- 1998-2000** • Allied Dunbar, branch manager
- 1992-1998** • CIS Insurance, district manager

PROFESSIONAL MEMBERSHIPS/ QUALIFICATIONS

- ▶ Level 4 Diploma in Financial Planning
- ▶ CeMAP qualification

CURRICULUM VITAE

CHRIS RIGBY

- 2011-present** • Nexus IFA, director and senior IFA
- 2002-present** • Nexus Financial Planning, partner
- 1998-2000** • Allied Dunbar, IFA
- 1992-1998** • CIS Insurance, agent/consultant

PROFESSIONAL MEMBERSHIPS/ QUALIFICATIONS

- ▶ Level 4 Diploma in Financial Planning
- ▶ Mortgage Advice Qualification





FISHING FOR FIRMS

Phil Frapple and Chris Rigby have worked tirelessly to progress Somerset-based Nexus IFA from a tight-knit, family-run firm into a serial acquirer of other small businesses

IAN HORNE

The sleepy town of Bridgwater, with its quaint character, might not be the obvious home of a firm making strides towards becoming a national IFA. Nonetheless, Bridgwater-based Nexus IFA has been thriving from its South West base, making numerous acquisitions as it stamps its presence across the UK. Is it on the path to becoming another faceless consolidator? No chance. It operates as a friendly, family-run firm, while building the economies of scale of a big business.

While its owners, directors Phil Frapple (pictured left) and Chris Rigby (right), are adamant Nexus is focused on its service for clients, it is practice buyouts that have fuelled its ascendancy and taken it beyond £400 million in assets under advice. Such acquisitions are typically of one and two-man bands with turnover between £100,000 and £200,000, and all involve IFAs with 'well-loved and managed client banks'.

LUCRATIVE LINE

Retiring IFAs usually enter an earnout scheme whereby they share in the income from their business while reducing their liability. This can be particularly lucrative for the seller because Nexus' processes and economies of scale make the client bank more profitable, leaving some IFAs with a higher annual income than they previously received, albeit temporarily. The directors say this model means Nexus can fund its buyouts entirely through its own profits, and has taken on no debt.

'The traditional IFA deals equate to three times your income, but the Nexus offer often works out as roughly double that,'

says Frapple. Nexus keeps the selling IFA at the heart of the process, ensuring he or she switches to an advocate role to provide a smooth transition. 'It benefits everyone, there's longevity to it, and the clients tend to stick,' says Rigby.

The company works hard to ensure firms will be a good fit for the Nexus proposition, and since 2014 has called upon the services of development director Ian McIver, who travels the UK to find suitable ventures.

CLIENT HAUL

The buyout model looks smooth, but does the service hold up once clients have been transferred? This question is all the more significant in light of the recent Financial Conduct Authority (FCA) acquisition probe. Frapple says the FCA got in contact with the firm to discuss its acquisition process. Frapple said the conversation ended with the regulator happy.

'Some people buy client banks and treat clients as tradeable assets, and that's not right. You have to treat clients as people with hopes and dreams and worries,' he says.

Frapple believes keeping the clients in the loop is paramount when taking over a firm. 'The first part of our process is to engage with clients, so they understand what we're trying to deliver,' he says.

'Regulatory problems tend to emerge when clients don't feel like they're part of the process.' Nexus writes to each client three times during the buyout process to introduce the clients to its staff.

It makes sure to introduce clients to its staff, either face-to-face, over Skype, or however the client prefers. 'We invite all new clients to tell us about their journey

Some people buy client banks and treat clients as tradeable assets, and that's not right. You have to treat clients as people with hopes and dreams and worries

and where they'd like to go,' says Frapple.

Once a client is on board, the service is all about the personal touch. Unusually, and for some controversially, cashflow modelling does not form part of its approach. 'We prefer regular engagement with the client to see what their objectives are,' he says.

'Rather than trying to look at where the client will be in 20 years, we prefer to look at shorter and more achievable horizons.' Arguing that a cashflow plan looks great until, for example, somebody's spouse decides they want a Porsche, or worse a divorce, Frapple feels these plans are quickly outdated.

'They assume life carries on at the same beat, when in reality it seldom does. The important thing is to stay on top of a client's objectives and aspirations, and to be part of the process during the good times and the bad times,' says Frapple.

BIG FISHES

The Nexus client bank is predominantly made up of private clients, with many entrepreneurial figures on board. The firm has dipped its toes in the waters of auto-enrolment, yet focuses on key personnel rather than taking on all comers.

There are few clients on the books with less than £20,000 to invest, and the bulk of Nexus' work is maximising or preserving wealth. The clients are spread across the UK, and Nexus has IFAs based all around England, although mostly in the South, to deal with them. As well as its network of IFAs, Nexus has a broader network of advocates and introducers, which covers the vast majority of England and Wales.

Looking back at the history of the firm, and how it started on its current path, it >

£410m
Funds under
advice
in 2016



Clients assume life carries on at the same beat, when it seldom does. The important thing is to stay on top of a client's objectives and aspirations, and to be part of the process during the good times and the bad times

should be stated Nexus had been an estate agent as well until 2008. As the business dropped this service, a third director, Nick Lansley, left the firm, and Lisa Frapple and Fran Rigby, wives of Phil and Chris, became active co-directors. Lisa operates as the business relationship manager, while Fran is the finance and accounts manager.

This switch was momentous for the firm, which began to find its direction. By 2011, the decision was made to go on the acquisition trail, steadily making Nexus the advice force it is now.

The four directors admit the 2011 push was far from stress free. 'There were difficult times,' says Fran. 'We had to put a lot into it financially, as well as ourselves.' She feels this level of commitment ensured everyone focused on the task ahead. 'We could see the need for us to be more involved and take some pressure off Phil and Chris, to free them up to do the work they needed to do, to do the acquisitions, and bring more people on board.'

TOUGH TIMES

It was long and arduous work, and Lisa and Fran accept their roles have become hard work. There are no regrets, and no doubts it was the right thing to do. 'It was a natural evolution,' says Lisa.

Although she describes the first couple of acquisitions as 'a new and scary step', it appears the whole process has become

FEES

Nexus has an initial charge ranging from 3% 'to virtually zero'. This is determined relative to the specific case and complexity of the client's needs. The maximum ongoing fee for clients is 1%.

Nexus allows clients to switch to an hourly rate, which varies depending on whether the services of an adviser, paraplanner, or other member of staff are required. The hourly fee ranges from £180-£240, depending on who the client is dealing with.



5 TOP TIPS

- ▶ Treat people how you expect to be treated.
- ▶ Focus on one project at a time.
- ▶ Test everything before you use it.
- ▶ Make a plan and revisit it every three months.
- ▶ Invest in the best people.

slick. The directors have committed a huge amount personally, and Fran suggests the whole thing would not have worked had they not already been good friends. All four are quick to praise the team that backs them up. 'There's a lot more that goes on behind the scenes than anyone would ever anticipate,' says Chris. 'We're very lucky with the team we have.'

Frapple says it took a lot of mistakes before the firm started getting things right, and a 'pain curve' that had to be overcome. 'You've got to build a company with a focus on longevity and not quick gains, and that's what we've built.' ■



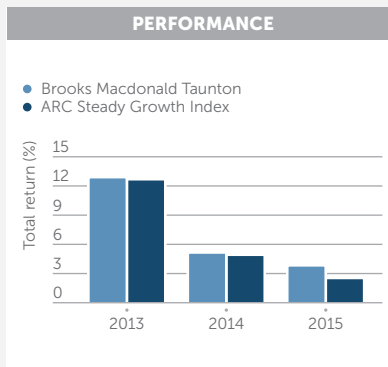
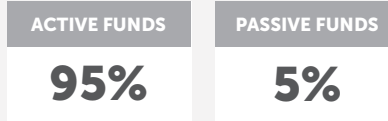


NEXUS MATCHES DFM CHOICE TO SIZE OF CLIENT INVESTMENT

All client investments are outsourced to several different discretionary fund managers (DFMs), and Nexus currently calls upon the services of Parmenion Investment Management, Whitechurch Securities, Brooks Macdonald, Charles Stanley, and Seven Investment Management (7IM). Nexus uses different DFMs depending on the needs of the client, and Frapple says he has worked hard to negotiate favourable deals with providers.

'We use DFMs due to their daily management, and their ability to rebalance is beneficial for us,' says Frapple. 'An example being at the start of 2016 when the DFMs we worked with were already watering down their exposure to property. That paid dividends for us.'

Looking at the regularly used DFMs, Nexus typically uses Parmenion for passive portfolios and clients with less than £50,000 to invest. Whitechurch Securities are often used for clients

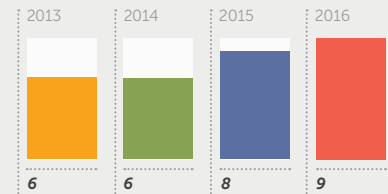


with £50,000 to £150,000, and for those with £150,000 to £1 million, Nexus regularly selects Brooks Macdonald or the managed portfolio services of Charles Stanley. 7IM is used for clients with over £1 million to invest, owing to the need for a more bespoke proposition.

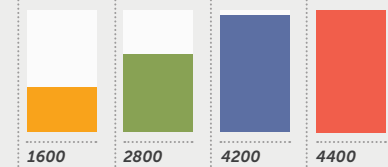
NEXUS IFA



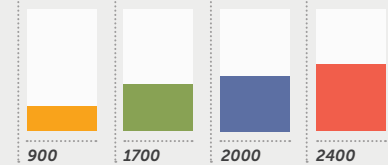
TOTAL NUMBER OF EMPLOYEES



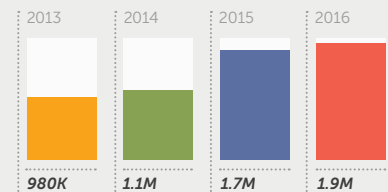
TOTAL NUMBER OF CLIENTS



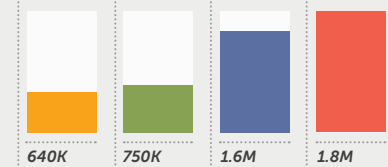
TOTAL NUMBER OF ACTIVE CLIENTS



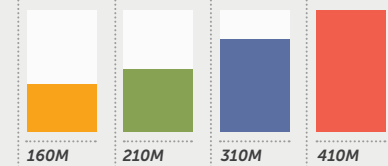
TOTAL INCOME (£)



TOTAL COSTS (£)



FUNDS UNDER ADVICE (£)



PERCENTAGE OF RECURRING INCOME (%)

