

CASE STUDY: MBO of Forster Dean, Mezzanine Finance



“Undertaking the MBO was a fantastic experience, MSIF helped us realise our dream. I had a clear vision for the future of the business and the team at MSIF understood and believed in that vision from day one. Because the business had a strong cash flow, we obtained finance from MSIF without relinquishing equity which is crucial for many would be owners. I do not believe that this deal would have happened without the support from MSIF. It was reassuring to have more than one lender involved. MSIF attended our Board Meetings and gave a valuable input, they were always supportive and always available. I also met many interesting and valuable contacts through MSIF. I was fortunate to be given an opportunity to lead an MBO, MSIF ensured that I was able to take that opportunity.”

Gregory Shields, Chairman and Chief Executive Officer, Forster Dean

The Company

Forster Dean was established in 1992. The firm specialises in Personal Injury and residential Conveyancing and had 13 offices (in March 2007) across the North West, including Liverpool, Runcorn, Widnes, St Helens, Warrington, Crewe, Leigh, Eccles and Chorley.

The Proposition

Law firms have traditionally evolved via organic growth and/or merger and it has not been easy for Partners to fully realise the value they have created. However the introduction of the Limited Liability Partnership (LLP) structure and the reforms around ownership of firms, mean that an MBO is more feasible.

The Transaction

Managing Partner Gregory Shields, who led a seven strong team to take control of the £6m fee income Firm from its founding principal, worked with corporate finance advisors Brabners Stuart (formerly The Steve Stuart Partnership), and MSIF to structure a suitable finance package. The deal was funded through a term loan and working capital facility from Natwest Bank and MSIF’s Mezzanine Fund. The mezzanine finance provided the funding gap between what the Bank would lend and the asking price for the business. The deal was believed to be the first ‘pure’ MBO of a law firm in the North West, if not the country.

The Outcome

Following the MBO the business became Forster Dean LLP and saw impressive growth. The Firm has since converted to full Limited Company status.

Forster Dean Ltd is now a Legal 200 ranked law firm with a turnover of £7m. The business now has 24 offices and employs 120 staff including over 50 Lawyers.

In addition to providing finance, MSIF also introduced a non executive representative to assist the management team. MSIF worked closely with and listened to Forster Dean during this process to ensure that personality as well as business credentials were well matched. This introduction has proved highly successful – four years on, the non executive representative is now a fully fledged non executive director of the company. MSIF also helped Forster Dean formulate the right corporate structure to ensure the business had a strong underpinning for the future.

For more information visit www.forsterdean.co.uk