



ROSEMONT

KEY INSIGHT

“When an entrepreneurial team comes from a large institution, how they exit and establish the new entity can be the difference between success and failure. Foundry’s choice to go the MBO route and leverage Rosemont’s experience and knowledge increased its odds of success and greatly benefited both Foundry and its clients.”

– Brad Mook, Rosemont Managing Director

CASE STUDY

INDEPENDENCE



From time to time, the leaders of an investment franchise within a larger organization seek to separate from their parent company. There can be a variety of reasons for this: perhaps the parent organization is overbearing, a high-potential business finds itself chronically under-resourced, a highly successful team is being under-compensated, or the parent has decided the business is non-strategic. A management buyout (MBO) can be an elegant solution to this situation, benefiting both the franchise and the parent.

An MBO is an efficient way to relaunch a business with a track record and revenue base and without the legal conflict and collateral damage that can accompany a hostile exit. For an entrepreneurial team within a larger, more bureaucratic entity—such as a bank—it affords a unique path to independence and can be especially powerful when backed by a well-capitalized partner with knowledge and experience around managing and growing a standalone business.

For a group of investment and distribution professionals within the asset management arm of Fifth Third Bank, an MBO and the creation of Foundry Partners represented the perfect way to gain control of their destiny and economics. Partnering with Rosemont and negotiating a buyout allowed Foundry’s principals to own their business and resource the firm for continuing growth.

OBJECTIVES

Provide capital and strategic insight to help management buy its investment franchise, properly structure the new independent company and foster growth and employee ownership

RESULTS

- Independence from its bank parent
- Growth in all key metrics
- 2021 acquisition of Rosemont stake to become 100% employee owned



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BACKGROUND

In 2013, Rosemont backed the creation of Foundry Partners through a negotiated buyout of several US growth and value equity franchises from Fifth Third Asset Management, a division of Fifth Third Bank. In addition to capital to fund the buyout and early operations, Rosemont provided help with the negotiations and the complicated process of setting up the company. Rosemont's experience with operating structures, compensation structures, buy/sell agreements, etc. proved invaluable as Foundry struck out on its own.

The MBO enabled a smooth transition of client assets and an ongoing business relationship between Foundry and Fifth Third, including a revenue-sharing agreement and sub-advisory contract. Notably, the well-executed MBO resulted in unanimous client consent and allowed Foundry to hit the ground running. To this day Foundry maintains strong client relationships in its core client segments.

AN EVOLVING PARTNERSHIP

Rosemont played an instrumental role in Foundry's MBO, not only financing the buyout but also providing guidance in the exit negotiation and design and creation of the new firm. From structuring the purchase terms to building out an operating infrastructure and deciding on important foundational issues such as compensation architecture—the list of issues when forming a new firm is long and detailed—Rosemont advised Foundry's principals each step of the way. The process was seamless and allowed Foundry's investment and distribution teams to quickly turn their focus to the firm's investment strategies and clients.

Over time, as Foundry established itself as a successful and enduring asset management boutique, its partnership with Rosemont evolved. From guidance on personnel matters and product mix to assistance assessing and executing acquisition opportunities, we

provided Foundry with the depth of expertise required to make smart strategic choices and establish a foothold in a competitive marketplace.

Importantly, we also put the company on a path to full employee ownership. The structure of our partnership allowed Foundry management to increase its equity stake over time based on the achievement of key financial milestones, and we sold the remainder of our equity stake back to management to make it 100% employee owned.

THE RESULTS

After successfully completing its management buyout, Foundry grew AUM/AUA by over \$1.5 billion and more than doubled revenue and profits. It has also managed to maintain consistent product pricing despite secular industry-wide pressure on active management fees. With Rosemont's support, the firm's management successfully navigated its way out of a bank to become a successful standalone entity and now, a 100% employee-owned firm.

We are thrilled for Foundry's success. It's a testament to its entrepreneurial spirit, its strong client relationships, the strength of our partnership and the powerful results that can be delivered through an intelligently structured MBO.



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