

LEA Global World Conference 2023

"Private Equity and the Accounting Profession – The Why, How, and Where it is Headed"

Thursday, October 26, 2023

10:30 - 11:45am

The Watergate Hotel, Washington, DC

Practice Management and Growth | Mergers & Acquisitions | Talent Representation



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For the last twenty-three years, Allan has been named by *Accounting Today* as one of the Top 100 Most Influential in the accounting profession. For the past six years, he was recognized as one of the 10 Most Influential in the Profession and in 2022 he was voted one of the "Top 3 Most Influential" in the Profession.

For the past twenty-three years, Allan was voted as one of the Most Recommended Consultants by INSIDE Public Accounting.

For the past decade, Allan has been named by *CPA Practice Advisor* as one of the Top 25 Thought Leaders in the profession. In 2016, *CPA Practice Advisor* also inducted Allan into the Accounting Hall of Fame.

Allan was one of the first to be inducted into the Accounting Marketing Hall of Fame by the Association for Accounting Marketing.

A nationally recognized speaker, he has appeared on CNN, WGN and FOX TV and has been quoted in the *Wall Street Journal,* New York Times, Financial Times, Washington Post, Chicago Tribune, Los Angeles Times, USA Today and New York Post.

Previously, Allan was the CEO of PDI Global, which was the largest provider of marketing products and services for CPA firms. Allan sold PDI Global to H&R Block in 1998, buying it back in 2008, and then selling it to Thomson Reuters in 2011.

Prior to that, Allan was a partner in the Chicago-based CPA firm of FERS, where he served as leader of the investment banking and law firm services groups, as well as the Executive Committee.

Wayne Berson, CEO of BDO, was quoted as saying the following about Allan, "I liken him to a sports super-agent, such as Scott Boras, whom players seek out. If we want to do a deal, in most cases the firm is working with Allan already."

Jeffrey Weiner, CEO and Chairman of Marcum, was quoted as saying the following about Allan, "Koltin is the most trusted negotiator or shadchan in the profession."

Marc Rosenberg, a leading consultant and author to the CPA industry, was also quoted as saying, "If there were an election of the most highly visible, sought-after consultant to CPA firms, Koltin would be the hands-down winner."

2022 - 2023

Looking for an M&A advisor? Experience and results matter! Since 2012, we have advised CPA, Private Equity, Wealth Management, Technology, Outsourcing and Consulting Firms on over 155 M&A Deals with combined revenues of over \$3.5 Billion.

Abdo - HGK (\$3.7M)

Armanino - Drucker & Scaccetti (\$19M)

Armanino – Janover (\$45.5M)

Baker Tilly - Bader Martin (\$19M)

Baker Tilly – Henry+Horne (\$35.3M)

Baker Tilly – True Partners Consulting (\$50M)

BPM – Fair Anderson Langerman (\$6.9M)

Broad Sky Partners – Smith+Howard (\$50M)

Carr Riggs & Ingram – Alonso & Garcia (\$4.8M)

Carr Riggs & Ingram – Brown Nelms (\$3.7M)

Carr Riggs & Ingram – Pharr Bounds & Zaversnik (\$1.4M)

Carr Riggs & Ingram – Stanfield + O'Dell (\$6.5M)

Carr Riggs & Ingram – The Lanning Group (\$2.4M)

Carr Riggs & Ingram – Travani & Richter (\$1.4M)

CBIZ - Marks Paneth (\$139M)

CBIZ – Somerset (\$55M)

Cherry Bekaert – MCM (\$68.6M)

Cherry Bekaert – Legier (\$16.6M)

Citrin Cooperman – Appelrouth Farah (\$11M)

Citrin Cooperman – Berdon (\$110M)

Citrin Cooperman – Chapman Bird Tessler (\$8.5M)

Citrin Cooperman – Shepard Schwartz & Harris (\$15.5M)

Citrin Cooperman – Untracht Early (\$32.5M)

CLA – Concannon Miller (\$24.3M)

CLA - Price (\$5M)

CLA - Sobel (\$32M)

CohnReznick – BKMSH (\$10.5M)

CohnReznick – Daszkal Bolton (\$45.8M)

Creative Planning – BerganKDV (\$120M)

Eide Bailly – Seim Johnson (\$21.3M)

EisnerAmper – Lindsay & Brownell (\$16M)

EisnerAmper – Lurie (\$41.5M)

EisnerAmper – Morrison & Morrison (\$16.6M)

IMA Financial Group – RedRidge (\$11.2M)

Marcum – E Cohen/Binary Networks (\$20M)

Marcum – Friedman (\$180M)

Marcum – McCarthy (\$11.4M)

Marcum – Melanson (\$18M)

Marcum – Piccerelli Gilstein (\$7.3M)

MGO - Eckhoff (\$3.9M)

Pinion – Anderson ZurMuehlen (\$29M)

Porte Brown – RVG Partners (\$4.3M)

Smith+Howard – Market Street Partners (\$8.6M)

Unity Partners – NDH (\$10M)

Wipfli – Clayton & McKervey (\$19M)

Withum – Martini (\$11M)

State of the Accounting Industry – Opportunities and Challenges



What's Happening with those Over \$100M

- RSM
- BDO
- Grant Thornton
- Forvis
- CLA
- Baker Tilly
- Crowe
- CBIZ/MHM**
- Marcum
- Moss Adams
- Plante Moran
- CohnReznick
- Eide Bailly
- Eisner Advisory Group*
- Armanino
- Wipfli
- Andersen
- Withum
- Citrin Cooperman*

- Carr Riggs & Ingram
- Horne
- Cherry Bekaert*
- PKF O'Connor Davies
- Aprio
- Sikich
- UHY Advisors
- Mazars USA
- Weaver
- Holthouse Carlin & Van Trigt
- Kearney & Co.
- BPM
- RubinBrown
- LBMC
- Novogradac & Co.
- Whitley Penn
- Rehmann
- Frank Rimerman
- Elliott Davis

- The Bonadio Group
- Warren Averett
- Frazier & Deeter
- Hill Barth & King
- BerryDunn
- Kaufman Rossin
- Cohen & Company
- Anchin
- Schellman*
- Katz Sapper & Miller
- Prager Metis
- Doeren Mayhew
- Grassi
- Miller Cooper
- Blue & Co.
- Schneider Downs
- RKL
- Berkowitz Pollack Brant
- Clark Schaefer Hackett

Top 200 Firms That Have Merged Up in the Past Decade

- Alpern Rosenthal into BDO
- AndersonZurMuehlen into Pinion
- Anton Collins Mitchell (ACM) into BDO
- Argy Wiltse & Robinson into BDO
- Arnett Carbis Toothman (ACT) into Baker Tilly
- Arthur Bell into Cohen & Co.
- Asher & Co. into BDO
- Battelle Rippe Kingston into RSM
- Beene Garter into Doeren Mayhew
- Berdon into Citrin Cooperman
- BerganKDV into Creative Planning**
- Berntson Porter into CBIZ/MHM
- Blackman Kallick into Plante & Moran
- Blum Shapiro into CLA
- Bolar Hirsch & Jennings into Armanino
- Braver into Marcum
- Briggs & Veselka into Crowe

- BrownSmithWallace into Armanino
- Caler Donten with EisnerAmper
- Caturano into RSM
- Cherry Bekaert into Parthenon Capital**
- Citrin Cooperman into New Mountain Capital**
- Clayton & McKervey into Wipfli
- CMF into CBIZ/MHM
- Concannon Miller into CLA
- Cotton & Co. into Sikich
- Daszkal Bolton into CohnReznick
- Decosimo into Elliott Davis
- DiCicco Gulman into PKF O'Connor Davies
- Dixon Hughes into BKD*
- Drucker & Scaccetti into Armanino
- E Cohen into Marcum
- EisnerAmper into Towerbrook Capital**
 - *Merger of Equals
- EKS&H into Plante & Moran
- **Merged up into P.E.

Top 200 Firms That Have Merged Up in the Past Decade

- Feeley & Driscoll into BDO
- Friedman into Marcum
- Frost into Marcum
- Gainer Donnelly into Carr Riggs & Ingram
- Gallina into CLA
- Galusha into Wipfli
- Goering & Granatino into Ascend*
- Goodman into Dixon Hughes
- Gumbiner Savett into BPM
- Harb, Levy & Weiland into EisnerAmper
- Hein & Assoc. into Moss Adams
- Henry+Horne into Baker Tilly
- Hertzbach into BDO
- HMWC into Eide Bailly
- Holtz Rubenstein Beminick into Baker Tilly
- Janover into Armanino
- Johnson Miller into Whitley Penn
- LMC into Ascend*
- LeMaster & Daniel into CLA
- Lindsay & Brownell into EisnerAmper

- Loeb & Troper into BKD
- Lurie into EisnerAmper
- Margolin Winer & Evens into Baker Tilly
- Margolis Phipps & Wright into RSM
- Marks Paneth into CBIZ/MHM
- Matson & Isom into Kennedy & Coe into Pinnion
- MBAF into BDO
- MCM into Cherry Bekaert
- MFA Companies into Baker Tilly
- Mohler Nixon & Williams into Moss Adams
- Montgomery Coscia Greillich (MCG) into Baker Tilly
- Morrison & Morrison into EisnerAmper
- Mueller Prost into Wipfli
- Nigro Karlin Segal into Focus Financial Partners
- NSBN into CLA
- O'Sullivan Creel into Warren Averett
- OUM into Withum

*Merged up into P.E.

Top 200 Firms That Have Merged Up in the Past Decade

- Padgett Stratemann into RSM
- Parente Randolph into Baker Tilly
- Peterson Sullivan into BDO
- Postlethwaite & Netterville into EisnerAmper
- Rachlin into Marcum
- Raffa into Marcum
- Raich Ende into EisnerAmper
- RBZ into Armanino
- Rothstein Kass into KPMG
- Schenk into CLA
- Seilers Richardson into RSM
- Seim Johnson into Eide Bailly
- Shea Labagh Dobberstein into CBIZ/MHM
- Shellman into Lightyear Capital**
- Shepard Schwartz & Harris into Citrin Cooperman
- Skoda Minotti into Marcum
- Smith + Howard into Broad Sky Partners**

- Sobel into CLA
- Somerset into CBIZ
- Squar Milner into Baker Tilly
- SS&G into BDO
- Tate & Tryon into RSM
- True Partners into Baker Tilly
- UHY New England into Marcum
- UHY Texas into BDO
- Unmbaugh into Baker Tilly
- Untracht Early into Citrin Cooperman
- Vavrinek Trine Day into Eide Bailly
- Watkins Meegan into CohnReznick
- Weiser into Mazars
- White Nelson into CLA
- Wilson Price into Warren Averett
- Wolf into BKD

Minimum Revenue to Qualify for Top 400 Firms



The Need for Increased Capital and Investment

The GOGO years are over – to continue to sit at the table you will need to (multiple choice, pick one answer):

- a) Increase partner capital requirements (write a check!)
- b) Retain more of the profits (reduce partner compensation)
- c) Go to the bank, borrow more cash
- d) Reduce retirement benefits/deferred compensation
- e) Reduce equity partner retirement age
- f) Some of the above
- g) All of the above!

Private Equity in the Accounting Profession



JOURNAL OF ACCOUNTANCY®

Private equity's push into accounting

The purchase of EisnerAmper is PE's first deal with a top 20 firm, but it likely won't be the last.

By Jeff Drew October 6, 2021



Allan D. Koltin.

- What percentage of the CPA firm is private equity acquiring?
- Why is private equity interested in CPA firms?
- Is private equity only interested in the largest firms?
- What characteristics would private equity find attractive in a CPA firm?
- How profitable does a CPA firm have to be to "qualify" for PE?
- How does private equity determine EBIDA and how much of partner compensation is reduced?
- How do the financial terms of a private equity deal compare with the traditional buyout of a CPA firm?

Private Equity Backed Wealth Management Platforms



Wealth Management: PE-Backed Platforms

#	Company	PE Sponsor			
RIA	<u>s</u>				
1	RSM's Wealth Management Business	Parthenon Capital			
2	Beacon Pointe	KKR			
3	Clearstead Advisors	Flexpoint Ford			
4	Savant	Kelso			
5	Wealth Enhancement Group (WEG)	Onex / TA Associates			
6	Lincoln Investment	New Mountain			
7	Carson Group	Bain Capital			
8	Mariner Wealth Advisors	Leonard Green			
9	Lido Advisors	Charlesbank			
10	Edelman Financial Engines	Warburg Pincus / H&F			
11	Sageview	Aquiline			
12	Adviser Investments	Summit Partners			
13	Merit Financial Group	WPCG / HGGC			
14	Allworth	Lightyear Capital			
15	EP Wealth Advisors	Berkshire Partners			
16	CapTrust	GTCR			
17	Creative Planning	General Atlantic			
18	Pathstone	Kelso / Lovell Minnick			
19	Mercer Advisors	Altas / Oak Hill / Genstar			
20	Cerity Partners	Genstar / Lightyear Capital			
21	Hightower	TH Lee			
22	Focus Financial	CD&R / Stone Point			
23	IEQ	Stone Point			
24	Sequoia Financial Group	Valeas Capital			
25	Harbourfront Group	Audax			
26	Mather Group	Vistria			
Brol	ker Dealers				
1	Cetera	Genstar			
2	Kestra	Warburg Pincus			
3	Advisor Group	Reverence Capital			

Private Equity Backed Insurance Brokerage Platforms



Insurance Brokerage: PE-Backed Platforms

#	Company	PE Sponsor	
1	High Street	Abry Partners	
2	Galway Insurance	Harvest Partners / Oak Hill	
3	Miller	Cinven / GIC	
4	Hilb Group	Carlyle	
5	Assured Partners	GTCR / Apax	
6	Relation Insurance	Aquiline	
7	Hub	H&F / LGP / Altas	
8	USI	CDPQ / KKR	
9	IMA Financial	New Mountain	
10	Risk Strategies	Kelso	
11	NFP	Madison Dearborn / HPS	
12	Patriot	GI Partners / Summit	
13	Alera / Propel	Genstar / Flexpoint Ford	
14	Acrisure	BDT	
15	Alliant	Stone Point / PSP	
16	Broadstreet	OTPP / Century Equity Partners	
17	Conner Strong & Buckelew	Century Equity Partners	
18	Foundation Risk Partners	Partners Group / Warburg Pincus	
19	Higginbotham	Stone Point	
20	PCF Insurance Services	HGGC	
21	World Insurance Associates	Charlesbank / Goldman Sachs	
22	Sunstar Insurance Group	BBH Capital	
23	Oakbridge	Audax	
24	Crest Insurance Group	CIVC	
25	Tricor	J.C. Flowers	
26	Navacord	Madison Dearborn	
27	Truist	Stone Point	

Acquisitions / Mergers / Transition Transactions in Business Appraisal Space

Count	Acquired / Transaction	Acquiror / Transaction	Year	Transaction
1	Houlihan Lokey	Orix Corp (70%)	2005	Private Equity
2	Valumetrics	Duff & Phelps	2005	Private Equity
3	Duff & Phelps	First IPO	2007	IPO
4	CETERIS	Duff & Phelps	2012	Acquisition
5	Howard Frazier Barker Elliott	Stout	2012	Acquisition
6	Houlihan Lokey	Initial Public Offering	2015	IPO
7	American Appraisal	Duff & Phelps	2015	Private Equity
8	Delphi Valuation Advisors	Valuation Research	2015	Acquisition
9	Erickson Partners	Mercer Capital	2015	Acquisition
10	VMG Health	Quad-C (Private Equity - Control)	2015	Private Equity
11	Advent Valuation Advisors	RBT CPAs	2015	Acquisition
12	Campbell Valuation Parthers (Canada)	Duff & Phelps	2016	Acquisition
13	Duff & Phelps	Carlyle (Going Private)	2018	Private Equity
14	Kroll, Inc.	Duff & Phelps	2018	Private Equity
15	HSSK	Weaver CPA	2019	Acquisition
16	Mercer Capital	ESOP Acquires Control	2020	Internal Transfer
17	VMG Health	NorthLane Capital	2020	Private Equity
18	Duff & Phelps	Stone Point Capital/Further Global	2020	Private Equity
19	Stout	Audax Private Equity	2021	Private Equity
20	Willamette Management Associates	Citizens Financial Group	2021	Acquisition
21	Duff & Phelps	Rebranded as Kroll	2021	Private Equity
22	Empire Valuation Consultants	ESOP Acquires Control	2021	Internal Transfer
23	Appraisal & Valuation Consultants	Kroll	2022	Acquisition
24	Vantage Point Advisors	Stout	2022	Acquisition
25	Murray Divine Valuation Advisors	Citrin Cooperman	2022	Acquisition
26	Columbia Financial Advisers	Weaver CPA	2023	Acquisition

Why is Private Equity Interested in the Accounting Profession?

- We are a low-risk business
- We produce positive cash flow
- Recurring revenues
- Recession proof
- Sticky business
- CPA firms are undervalued
- CPA firms desperately need capital
- The changing mindset of younger talent
- The fatal flaws of the partnership model

Benefits to the Firm and Partners of the Private Equity Model

Firm Benefits:

- > Capital to grow and invest
- Profit interest units providing multiple liquidity events
- Retention and attraction of talent (i.e. "profit participation")
- Greater value creation

Partner Benefits:

- Providing succession to the next generation
- > Taking risk off the table
- ➤ Long-term capital gain
- Continued compensation growth
- Equity ownership
- No post-transaction capital contributions
- Monetize value earlier

The Taint on Private Equity



- PE only cares about EBIDA and has a short-term mindset.
- We all know of horror stories told by our clients and friends about PE.
- Short-term and long-term goals may not be aligned with CPA firms.
- The failed consolidations of public company acquirers in the late '90s.
- Bait and switch.

What Does Private Equity Look For in a "Platform/Foundation Firm"?

- Great leadership
- Strong organic growth engine
- Uber profitable
- Partner alignment
- The firm needs capital for expansion
- Successful track record of doing M&A deals
- The firm is loaded with "next generation" talent
- The firm has a great culture and is viewed as a destination place for talent
- The target firm has a scalable practice in terms of size, depth and geography
- The firm is respected and admired within the profession

What Should a CPA Firm Look for in Identifying the Right Private Equity Partner?

- PE understands "The assets go home every night and decide if they want to come back the next day."
- The PE firm has a successful track record of acquiring "people" businesses.
- The PE firm will let the CPA firm run their business and not micromanage it.
- The PE firm has deep enough pockets and understands the need for continual capital investment.
- The PE firm will be viewed as a strategic partner and one that can bring value-added expertise and resources to the table.

EBIDA Creation



Most CPA firm's net income equals zero! Therefore, we need to create EBIDA, which comes from:

- Add-backs of:
- Interest
- Depreciation
- Amortization
- Income taxes (if any)
- Retired partner payments
- Partner life insurance, and most importantly,
- PARTNER COMPENSATION

Why have Private Equity Discussions Died So Far With CPA Firms?

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- CPA firm isn't profitable enough.
- Partners can't agree on individual "haircuts".
- No compelling story that is exciting about the CPA firm.
- Leadership can't get a unanimous partner vote.
- Partner group can't agree on how to allocate the proceeds.
- The PE group does something really stupid!
- Pending litigation
- Re-trading of EBIDA

Recent PE/Non-CPA Owned Deals with CPA Firms & CPA-Owned Wealth Management Firms

CPA Firms	CPA-Owned Wealth Management Firms
Ryan Tax & Onex/Ares	RSM & Parthenon Capital
EisnerAmper & TowerBrook Capital	Warren Averett & Wealth Partners Capital/HGGC
Citrin Cooperman & New Mountain Capital	Wipfli & Creative Planning
Cherry Bekaert & Parthenon Capital	Cherry Bekaert Wealth Management & Choreo
Marks Nelson & Trinity Hunt Partners	CPA Firm Structure Changes
NDH & Unity Partners	BDO adopts ESOP Model
Schellman & Lightyear Capital	
CFGI & CVC Capital	
Smith+Howard & Broad Sky Partners	
Opsahl Dawson/ATKG/LMC & Alpine Investors/Ascend/Goering & Granatin	
BerganKDV & Creative Planning	

Growth Strategies and Strategic Options

- Do nothing
- Merger of equals
- Go to the bank and borrow money
- Become a PE-sponsored firm
- Merge into a PE-owned CPA firm
- Merge into a larger CPA firm (a mear mortal!)

Bold Predictions on Private Equity and the Accounting Profession!

Panel Discussion –

Private Equity and the Accounting Profession – The Why, How and Where it is Headed.



Facilitated by:

Allan D. Koltin, CPA, CGMA Koltin Consulting Group, Inc.

Panel Discussion:

Stuart Ferguson, Managing Partner Pointe Advisory

Andrew Rich, Managing Partner HW Fisher

Jeff Weiner, Chairman and CEO Marcum



OPEN DISCUSSION

