



Why private equity is interested in the accounting profession





Your hosts



**Jason
Blumer**

CEO
Blumer & Associates,
CPAs



**Ian
Vacin**

Co-Founder, Chief
Partnerships Officer,
Karbon





Your panelists



**Reyes
Florez**

CEO
Platform Accounting
Group



**Gretchen
Roberts**

CEO
Red Bike Advisors



**Chris
Williams**

CEO
System Six





Private Equity: giving the accounting profession a run for its money

The accounting profession is not the only profession going through monumental change.

Alternative ownership and capital investment options are increasing rapidly as firms are considered great future investments, and often under-operated.

Changes in generational leaders that desire to retire is also speeding up these investments.





Agenda

- Factors allowing for investment in the accounting profession
- How PE investment typically looks
- How should *you* be operating your firm now?
- Roundtable Panel with:
 - Reyes Florez, Gretchen Roberts & Chris Williams
- Q&A





Bring Your Questions & Answers...

- Why did you want to purchase an accounting business?
- What aspects of the business were important for you?
- How did the process go? How long did it take?
- What lessons did you learn through the process?
- What is your advice for a firm if they are interested in exiting?
- What is the EBITDA that PE partners are looking for when considering an investment/acquisition?
- What are the pros and cons of organic growth vs. acquisitions?
- Is a fund's horizon (timeline) an important consideration in selecting a PE partner?
- Can PE investment truly take care of our teams and clients?





Factors allowing for investment in the accounting profession

- Professional accounting firms are great recession-proof businesses, generally being run by technical founders as opposed to business savvy entrepreneurs.
 - the profits and operations are relatively stable, recurring, and predictable.
 - accounting professionals have the ability to be the go-to experts in business analysis.
- The profession is aging, and founding partners/owners need to exit. But there's a catch...
 - younger partners are not willing to fund older models of paying out founding partners.
 - over the next 10 years, it is expected that many partners will retire.
- The limitations of doing attest work, or ownership requirements by licensed professionals can be handled with a spin off to an Alternative Practice Structure (among other considerations).
 - if you are an advisory firm you won't have these issues, and are even more attractive.
 - new corporate/business models (instead of consensus partnership models) can aid in growth.



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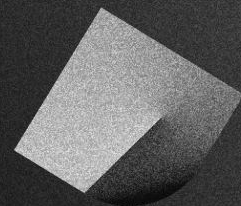
“If you’re wondering if a PE investment is right for your firm, Koltin suggests taking the time to understand it first.

“This is new, and it’s different,” he says. “Understand that the accounting business is changing and ask if this is a better way to achieve your goals.”

Allan Koltin, CPA, CGMA
CEO, Koltin Consulting Group
Chicago

Articles

<https://www.icpas.org/information/copy-desk/insight/article/spring-2022/the-hand-of-private-equity-in-accounting-firms>





How PE investment typically looks

\$10 Million +



\$2 - 5 Million

Purchasing large traditional partner-based firms, then modernize quickly

- Grant Thornton
- Baker Tilly

PE groups that buy firms, and then allow firms to retain their independent brands

- Alpine
- Ascend

Buy a main firm that is strong, and then acquire firms through that main firm

- Our panelists!

What are the measures of Importance: Revenue, margin, or EBIDTA?





How PE investment typically looks

\$10 Million +



\$2 - 5 Million

Purchasing large traditional partner-based firms, then modernize quickly

Scrape partner pay to create profit, create succession plans

Outsource compliance, commodity work, start advisory

Change the team and clients, but disruptive

Put in new efficient technology

Can typically create a lot of profit for another PE roll up

PE groups that buy firms, and then allow firms to retain their independent brands

Firms have more appropriate pay for owners

Bring advisory to the group, everyone benefits

Support the already strong team with better benefits

Leverage technology of the group for all firms purchased

Longer term investment and grow with the profits

Buy a main firm that is strong, and then acquire firms through that main firm

Founding partner can still operate with a good salary, but also takes a buyout payment up front

Leverage strength of main firm: ops, team, tech, processes

Roll in other firms that can benefit from firm's strength

Leverage technology of main firm for all firms rolled in

Focus more on profit-focused activities, like niches and new industries, new tech efficiencies



How should you be operating your firm?

Maybe you don't need PE investment. But you can run a great firm...

- Take risks to lean into various niches and offer advisory work that can increase your expertise and profits.
- Save some operating capital to help you grow. Build up your cash accounts.
- You need a strong team in order to grow. Focus on culture and treat your team well.
- You must use technology to scale. New technology can *help you help your team* get work done more efficiently.
- Entrepreneurs need order. Create operating systems that allow you to manage calendars, get work done, and focus on productivity (using Karbon).
- Focus on profit. PE looks at EBITDA and gives higher multiples on 15% margins.
- Come to **Thriveal's Deeper Weekend Conference** this year:
<https://thriveal.com/deeper-weekend/>
 - Theme: The Science & Practice of Productivity, **October 23 - 25, 2024**, Greenville, South Carolina, USA.





Roundtable Panel

with Reyes Florez, Gretchen Roberts, and Chris Williams





Reyes Florez



CEO
Platform
Accounting Group

Reyes is the Founder and CEO of the Platform Accounting Group, a rapidly growing, nationwide group of accounting and professional services firms. Founded in 2015, Platform gives boutique firms, and their people, the capital investment, resources, management support and technology they need to win in today's environment.





Gretchen Roberts



CEO
Red Bike Advisors

As CEO of Red Bike Advisors, Gretchen is responsible for setting the vision and strategy for the team and empowering them to serve their clients and bring exponential value to every engagement. She's on a mission to help every client 'breakaway from the pack' and gain a competitive advantage with a strong financial foundation.





Chris Williams



CEO
System Six

Chris Williams is the CEO of System Six, a modern accounting firm focused on providing dream accounting careers to its team members. Chris acquired System Six in July 2021 after a 10 month search for a small business to acquire and grow. Prior to System Six, Chris worked in private equity and earned his MBA, where he discovered the path of "Search Funds", working with small business investors to seek out, acquire, and grow a small business.





Panelist Conversation with Q&A



**Reyes
Florez**

CEO
Platform Accounting
Group



**Gretchen
Roberts**

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Red Bike Advisors



**Chris
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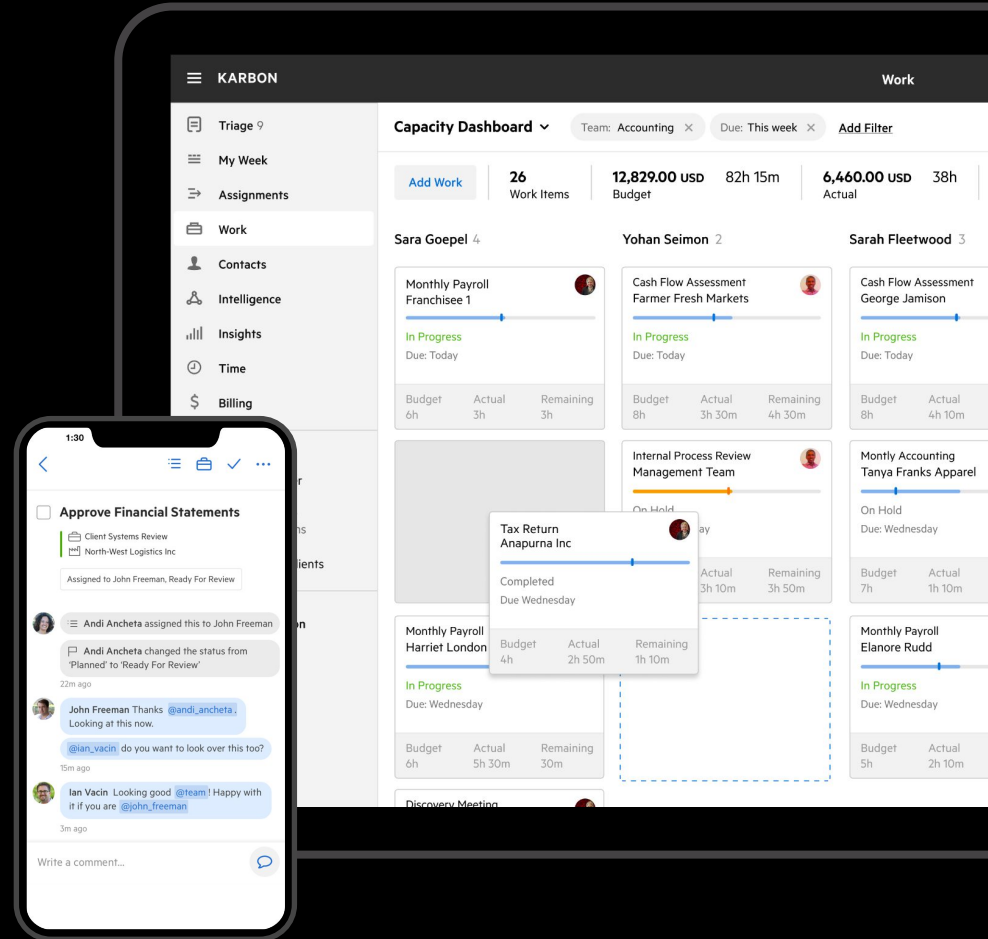
July 17 - 19, 2024, Greenville, SC



Practice Management for a More Connected Accounting Firm

Karbon is the collaborative practice management platform for accounting firms. It enables seamless communication and workflows so teams know who is doing what, when, why, and how. Remote or in the office, you're all together with Karbon.

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Thank you

