



FINANCE

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Match game

As firms go national, they head down aisle for more mergers

By CLAUDE SOLNIK

As some accounting firms go national, they are devoting more resources toward locating and linking up with merger partners.

For these firms, mergers aren't just the result of opportunity. There is a method to their mergers and, sometimes, an executive charged with leading the expansion.

Marcum, with large operations in Melville, last week said it is merging California-based Lautze & Lautze into its operations. But that's just part of a much larger strategy to cover the map via mergers.

The firm, which completed nearly 20 mergers since 2009 including three in the last two months of 2015, has been building a merger infrastructure as it goes national.

It has grown to 1,500 people, 23 U.S. offices and five abroad, ranked 15th in the nation based on revenues by Accounting Today. And it wants to keep growing.

Marcum last year appointed James Smart, an accountant who merged into the firm as part of Philadelphia-based Smart Devine, as director of mergers and acquisitions.

"It's becoming increasingly common in firms of our size," Marcum Managing Partner Jeffrey Weiner said of these officers. "We created the role when he merged in with us. He's very good at it."

Marcum also has been working with M&A consultants, recruiting entire firms as well as individual professionals.

The firm tapped Allan Koltin, CEO of Chicago-based Koltin Consulting Group, to set up the Lautze & Lautze deal after he served as matchmaker for Marcum's deal with Frost, Rutenberg & Rothblatt in Chicago last year.

"There are more and more mergers going on everywhere," Weiner said. "There are firms that are worried about their succession plan or really don't have a succession. There are firms that want to grow and figure the best way to grow is by having a larger platform to grow on."

Other accounting firms also are growing and going national, often with a business model based on mergers.

Chicago-based Baker Tilly Virchow Krause, for instance, in 2013 merged Melville-based Holtz Rubenstein Reminick into its operations. It boasts 2,700 employees and is growing.

"We'll continue looking for mergers," Alan Whitman told Accounting Today before taking over as Baker Tilly CEO on June 1. "We have a platform, or a strategy, that is, to be a national firm. We're looking at new territories."

Smaller Long Island firms also are

going national, by traveling down this two-way street and merging with bigger companies: Hauppauge-based Charles A. Barragato & Co. recently announced it's merging with BDO USA.

"There's been a great deal of consolidation in the industry," Managing Partner Charles Barragato said. "It wasn't driven by succession at all. I'm taking on a very active role in this new platform. It was more driven by strategy."

While many big firms search near and far for partners, Barragato got to know BDO as part of the BDO Alliance USA, a network of firms that tap BDO for resources and expertise.

"We've had opportunities to work with BDO partners, staff, and to get to know the leadership of BDO," he said. "We developed a great rapport with them."

Transactions only go through when the motivation works on both sides, with pieces fitting like a puzzle. Marcum sought to expand in California, where Lautze & Lautze has offices.

"This doubled our size in San Francisco. And it gave us a foothold in Silicon Valley, which we've been trying to get into for a couple of years," Weiner said. "Silicon Valley is legendary. It incubates startups every day in the technology space, which is a space we like. There's a lot of high-net-worth individuals as a result of the success of some of these companies."

Marcum looks formally and informally, meeting with prospects just in case a deal makes sense, looking at data and talking with professionals about possible matches.

"We do market research in the markets we want to be in," Weiner said. "We identify firms, pound the pavement and knock on doors."

Marcum typically looks for companies with at least \$10 million in revenue and 40 or more staff. But if married couples ordinarily tie the knot after dating exclusively, accounting firms play the field.

"Very rarely are we the only one talking to them. It usually gets whittled down on a personality basis first. And then it comes down to terms," Weiner said. "Most of the people you speak to initially, the deals don't happen. You have one or two meetings and it doesn't proceed. The minority finish."

Marcum looks at each deal on its merits, regardless of geography, but is targeting Atlanta, Denver, Washington, D.C., Houston and Dallas. Deals also could take place in markets where it has grown such as Connecticut, Florida and California — as well as closer to home on Long Island.

"We talk from time to time to firms that might be complementary with what we have already," Weiner said of possible Long Island deals. "We have a couple of prospects right now."

He added that mergers typically take six months to two years including due diligence: The Lautze & Lautze match took a year and a half. While owners of smaller

MARCUM MERGERS

2007

- Goldfinger & Lassar (NYC) – November

2008

- Rosenfarb Winters (NY/NJ) – June

2009

- UHY Advisors New England (New Haven/Hartford/Boston) – June
- Rachlin Cohen & Holtz LLP (Miami) – June
- Margolis & Co. (Philadelphia) – September

2010

- Stonefield Josephson (Los Angeles) – October

2011

- Bernstein and Pinchuk (New York/China) – January (now Marcum Bernstein & Pinchuk)

2012

- Robert Finnegan & Lynah (Boston) – January
- Konowitz Kahn & Co (New Haven) – February

2013

- Parent, McLaughlin & Nangle (Boston/Raynham, MA) – January
- Cornerstone Accounting Group (NYC) – April
- WilsonMorgan (Irvine) – July

2014

- Braver PC (Needham, MA/Providence, RI) – January
- Thomas E. Finn (Greenwich) – February

2015

- Frost, Rutenberg and Rothblatt (Chicago/Deerfield, IL) – November
- Smart, Devine & Company (Philadelphia) – December
- DGLF CPAs & Business Advisors (Nashville/Orlando) – December

2016

- Lautze & Lautze CPAs & Financial Advisors (San Francisco and San Jose) – June

Source: Marcum

companies no longer control the larger firm, they typically retain a stake.

"They own a smaller piece of a bigger pie," Weiner said of newly named partners. "They own a piece of Marcum, so they're still owners."

Although Marcum searches near and far, Barragato, whose firm has six partners and 38 people, saw BDO USA as the ideal partner not simply because of their history together. He believes this was the right offer at the right time.

BDO, he said, has been growing its private client services, naming Jeff Kane the head of that operation nationwide two months ago. Barragato was named managing partner for tax in BDO's Long Island practice and Northeast regional leader for private client services.

"We are going to be involved in the building of this private client services practice in the Northeast," Barragato said. "That lets us better leverage our existing strength."

He says he's getting a positive response from clients and doesn't anticipate they will face sticker shock.

"What's very positive for the clients is to feel their service team will stay intact," he said. "And there won't be significant spikes in fees."

Mergers can bring benefits, but also problems, requiring firms to work to integrate new staff and partners into the business.

"Not everything is smooth," Weiner said. "Sometimes, there are issues. If there are, you work through them."

He doesn't expect to announce more mergers in upcoming weeks. But stay tuned. As Marcum and some other firms grow nationwide, they're not just advising on mergers: They often practice what they preach.

"I certainly would expect more by the end of the year," Weiner said.

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