

By Michael Cohn

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## Armanino to merge in Drucker & Scaccetti

Top 20 Firm Armanino announced that it will merge in Philadelphia-based Regional Leader Drucker & Scaccetti, effective July 1.

The deal marks a further expansion of the California-based firm to the East Coast, following its opening of an office in New York City last summer.

“Drucker & Scaccetti has done a great job over 32 years of building their brand and their relationships,” Armanino CEO Matt Armanino told *Accounting Today*, “and the market’s a great market in Philadelphia, not only to do more for their existing clients — they have a lot of wonderful high-net-worth individuals and closely held businesses and families — but beyond what they’ve already done, in markets like the real estate market and professional services, and there are other exciting areas for Armanino to expand into there, like the not-for-profit market, and technology and health care and life sciences.”

The combination will bring a number of specialty tax practices to expand Drucker & Scaccetti’s already-extensive tax consulting services — a focus that was very important for the Philadelphia firm, which brands its staff as “Tax Warriors.”

“The fact that Armanino has an extremely strong tax department and consulting — they lead with that — and that their trust services and their attest services are a much smaller part of their revenue than you would see in a typical accounting firm, that was very appealing to us, given that we have a strong tax focus,” said Rosalind Sutch, a partner and chief growth officer at D&S. “We were not interested in joining a firm where audit drives the bus.”

Terms of the deal were not disclosed. Armanino ranked No. 19 on *Accounting Today’s* 2022 list of the Top 100 Firms, with \$458 million in revenue in 2021, 154 partners and over 1,700 staff. A Regional Leader in the Mid-Atlantic Region, D&S reported \$18.73 million in revenue, with 17 partners and 83 staff members.

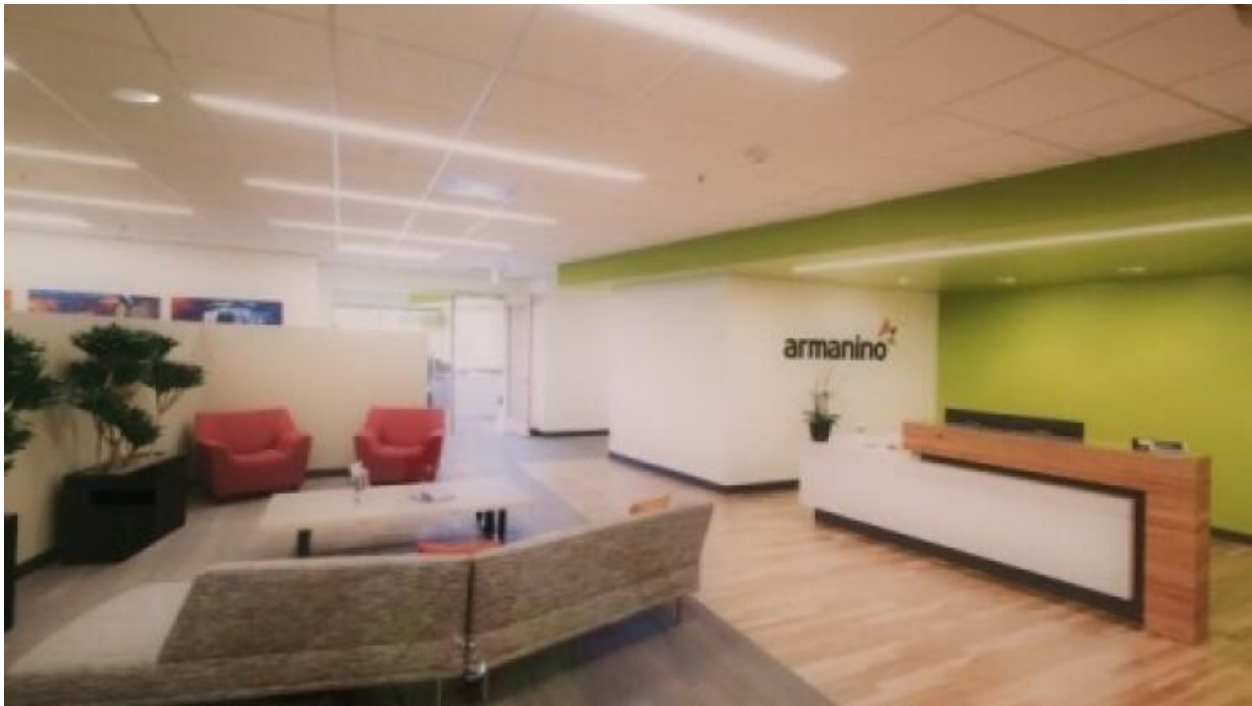
All of Drucker & Scaccetti’s staff and partners are expected to join Armanino, and the Pennsylvania firm’s two offices in Philadelphia and Scranton will join Armanino’s 21 offices across the country.

## Making the deal

The two firms were originally introduced by Allan Koltin, CEO of Koltin Consulting Group, over a year ago.

“When Allan approached us, to be candid, Philadelphia wasn’t really on our radar as a market, but what we quickly learned was that Drucker & Scaccetti was very much oriented in the same way that Armanino is around people and clients,” recalled Armanino chief operating officer Chris Carlberg. “And we dug in more about the opportunities in the Philadelphia market, and really got excited about how we could take the strong growth that Drucker & Scaccetti was already having and accelerate that, to double the growth, basically, by bringing additional offerings to their clients, but also in the market generally, we see opportunities for our strong nonprofit practice. This hasn’t been an area that Drucker & Scaccetti has done a lot in, but we can build on the relationships they have, and so from Allan saying, ‘Hey, this is a great firm; take a look,’ once we dug in, we agreed with him. And once we also understood more about the Philadelphia market, that got us excited about the possibilities of 1 + 1 equaling much more than 2.”

The process took over a year — a reflection of the fact that Drucker & Scaccetti was not in a position where the firm needed to make a deal. In fact, firm partner and board chair Geoffrey Mesko said they started from the simple imperative of always keeping an open mind. “We always felt we had a fiduciary duty to our partners and our people to discuss with other firms what they’re doing and how they’re doing it, and how they see the future,” he explained.



Over the course of the year, though, the firms found a number of ways to test their respective fit.

“We took our time — they wanted to get to know us, and we wanted to get to know them,” said Mesko. “We would work on different projects together, to see what the service model is for things like international tax or SALT, and specialty areas. We met in Philadelphia once, and we went to their place in Dallas once, and every time we spoke to their people officers and their different departments, we felt really good after all our meetings and calls together. We really got to know them and like them.”

Added Sutch, “We had the opportunity to ‘date’ a little bit first, in that we actually engaged Armanino to do some consulting and help us out on some engagements where we didn’t have enough depth of expertise in our staff, and worked together with them to service some of our clients. We could see quickly that the way they attacked a client engagement was very similar to the way we would, and their focus on client-centricity was very much aligned with ours.”

“It is a little bit of a challenge when we consider a merger like this, because let’s face it, when you bring in new people you are either strengthening the culture or you’re diluting it, depending on the fit,” said Matt Armanino. “We have a high bar around that — and the group of people who are joining us from Drucker & Scaccetti are a great cultural match. They care about the same things we do.”

Koltin, who advised both firms on the combination, said in a statement: “Armanino is one of the country’s most admired and respected firms. Their innovation, technology, passion for client excellence, leadership, talent and culture are the ‘gold standard’ that other firms try to emulate. Drucker & Scaccetti is known as Philadelphia’s ‘go-to’ firm when it comes to sophisticated high-net-worth tax clients and owner-operated businesses. They have become a ‘melting pot’ for young, entrepreneurial talent and are known in the marketplace for the brilliant tax and business advice they provide to their clients, making them a perfect fit to help drive Armanino’s continued national expansion.”

Carlberg made a point of explaining that Armanino’s growth — both in the past or going forward — is not predicated on M&A.

“We always think about growth as starting with sustainable, profitable, organic growth, but along the way, if we meet or get introduced to like-minded firms that see the world the way we do and are excited about our vision of where our industry is going and where we need to go to be ahead, then conversations like this can take place,” he said. “And we are definitely open to markets that are strong, but most importantly to great firms that have great clients — and that’s definitely what we found with Drucker & Scaccetti.”