

NDH receives private equity investment

By Michael Cohn - May 04, 2023, 9:00 a.m. EDT

NDH LLC, a Chicago-based tax and accounting firm founded by three former professionals from Arthur Andersen, is the latest to receive funding from private equity investors, in this case Unity Partners LLC, based in Dallas.

The amount of funding was undisclosed, but enough to give the PE firm a "slight majority" of NDH, according to Peter Cozzi, investment team lead at Unity Partners. NDH was founded in 2003 in the wake of Arthur Andersen's collapse. As part of the deal, partners Jeremy Dubow, Josh Harris and Jeff Thomas will continue to lead the firm and serve on the board of directors.

"We've been in business for 20 years, and we're a high-level boutique tax and accounting firm based in Chicago," said Dubow. "With today's challenging employment market, and massive opportunity in the tax and accounting space, we have been focused on obtaining a strategic partner to help us grow the business in a meaningful way. And as part of that process, we connected with Unity Partners, which shares a lot of the same vision that we do about growing the best accounting firm in the country. After our initial meeting with them, we found out pretty quickly we were a strong fit strategically and culturally, and we were able to put together a transaction that made sense with a goal of helping us become the best firm out there with the ability to hire the most talented people and provide the best services to our clients."



(Left to right) NDH partner Justin Shelman, NDH accounting practice leader Josh Harris, Unity Partners co-founder and CEO John Block, Unity Partners investment team lead Peter Cozzi, NDH partner Moshe Bass, Unity Partners vice president Hannah Dickey, NDH CEO Jeremy Dubow, Unity Partners partner Jim Sharpe, NDH tax practice leader Jeff Thomas and Unity Partners associate Alex Dieste

NDH provides tax, accounting and advisory services to more than 1,500 clients across the country, and it hopes to use the funding to hire more talent and pursue mergers, as other firms that have received PE money have done in recent years.

NDH does not perform any auditing work, so it will not need to split its attest and advisory sides, as EisnerAmper, Citrin Cooperman and Cherry Bekaert have done in recent years after receiving private equity infusions.

"NDH doesn't have an audit practice, so there was no need to do a spinout like you've seen in some business transactions," said Cozzi. "There's no alternative practice structure to this deal."

The two firms were in talks for about six months before completing the deal. "This is the only accounting firm that we've funded," said Cozzi. "We are not investing in others. The focus is on supporting Jeremy and the NDH team within this market."

NDH has not been a high-profile firm in the past and didn't rank among the Accounting Today Top 100 Firms or Regional Leaders. But Koltin Consulting Group CEO Allan Koltin, who arranged the deal, sees the potential for NDH to grow considerably, especially in the Chicago market. The firm also has offices in Philadelphia.

"This is a huge breakthrough in the accounting world," said Koltin. "Up until now, there has not been a firm in the top 200 that has done a private equity deal. They became the first firm under \$30 million to do a deal, and it should send a strong statement within the profession that this is not just about the top 25 firms. NDH is a unicorn. They don't make that kind of firm anymore."

As part of the deal and in line with Unity Partners' principles-based investment model, NDH will be establishing the NDH Employee Purpose Plan, a broad-based employee ownership program. "We know our success starts with our employees, so we are excited to implement this program that will allow our colleagues to share in our future success," said NDH co-founder and accounting practice leader Josh Harris in a statement.

Unity Partners will provide capital and strategic and operational support for the firm as it seeks to expand through organic growth and strategic acquisitions. NDH is actively adding more talent and pursuing opportunities to partner with other tax, accounting and advisory businesses. "In terms of the funding, the goal is strategic growth," said Dubow. "We're going to be looking for acquisitions of like-minded businesses. We're going to focus on hiring. The labor market has been incredibly tight in the public accounting sector, so [we're looking for] some additional resources, and a partner to help us obtain the best talent. With the transaction, we're putting in place an employee purpose plan, which is going to allow us to offer equity to some of the key members of our firm. And frankly, we're going to offer equity to broad participation across the employee group. [It's] a combination of providing strategy to help grow with the ability to hire talented people, and to offer some equity substantially earlier than what they would otherwise achieve through the standard process of making partner in our organization or any other public accounting firm."

"With the additional resources from Unity Partners, we will be able to accelerate investment in our technology and talent to improve the experience for our clients," said NDH tax practice leader Jeff Thomas in a statement.

The firm has five partners and an additional 30 professionals and staff. NDH is likely to pursue mergers and acquisitions of other firms to increase that employee base. "Mainly we're looking for businesses that share our strategic vision and are focused on excellence, both in terms of providing client service,

and treating our employees respectfully, providing incredible opportunities for employees to have a career with growth opportunities, to be able to learn and become the best practitioner on the planet," said Dubow. "We're going to be looking for firms that share our cultural beliefs as well and that provide similar service lines to ours, with some opportunity to add service lines as we look to identify where we want to expand our business."

Koltin sees great potential for the firm to grow thanks to the extra funding, pointing to the relative youth of the firm compared to others in the Top 100.

"The partners are all in their 40s, and they're a destination place for talent, because they understand 20 and 30 year olds," he said. He noted that they cater to billionaires, hedge funds and other prominent Chicago business clients, and have been very successful.

Koltin has arranged a number of PE deals with accounting firms in recent years and sees differences with this one. "Everybody asks me, 'Is every PE deal going to be a home run?' The answer is no," he said. "If you take an average accounting firm and an average PE firm, you'll be lucky if you get average. But if you take a great PE firm and a great accounting firm, which they both are, this will produce tremendous results. I could see this \$10 million business trading at \$50 million in the next two, three or four years."

Unity has high hopes for the deal. "Our partnership with the NDH leadership team started with shared excitement around our principles and confidence in our ability to execute our Partner & Propel strategy, stemming from our thematic work in this market," said John Block, CEO and co-founder of Unity Partners, in a statement. "We are honored to be working alongside NDH's ambitious leaders to create something truly special."



(Left to right) Unity Partners VP Brett Stoehr, VP Hannah Dickey, partner and head of propel Jim Sharpe, co-founder and CEO John Block, investment team lead Peter Cozzi, and co-founder and chairman Bryan Adams. Creative Catapult