

Grant Thornton gets major PE stake

By Michael Cohn March 15, 2024, 1:11 p.m. EDT

Private equity firm New Mountain Capital LLC is taking a majority stake in Top 10 Firm Grant Thornton LLP in the biggest deal to come along in PE firms' involvement in the accounting field.

The amount of the investment was not disclosed by Grant Thornton or New Mountain, but it was reportedly a majority stake, according to the *Financial Times*, which first reported the deal Friday. New Mountain previously acquired a majority stake in another major firm, Citrin Cooperman, in 2021. New Mountain has approximately \$50 billion in assets under management. A Grant Thornton spokesperson declined to provide the amount of the investment.

After the close of the transaction, which is expected in the second quarter of the year, Grant Thornton will operate in an alternative practice structure, with Grant Thornton LLP, a licensed CPA firm, providing attest services, and Grant Thornton Advisors LLC providing business advisory and non-attest services. The deal involves Grant Thornton's U.S. firm, not the broader Grant Thornton International network.



"Our partnership with New Mountain Capital empowers Grant Thornton to deliver transformational, high-quality outcomes for our clients, our talented team members and the industry as a whole," said Grant Thornton CEO Seth Siegel in a statement Friday. "The investment immediately enhances our value in the marketplace and enables us to accelerate our current strategy. We'll enjoy greater scale, resources and agility, while better positioning the firm to make targeted investments in talent, technology, infrastructure and enhanced capabilities. Grant Thornton will further solidify our position as the industry's platform of choice."

Grant Thornton, based in Chicago, ranked No. 7 on *Accounting Today's* 2024 list of the Top 100 Firms, with over \$2.36 billion in annual revenue. The firm reported that it generated record revenues for its fiscal year ending July 31, 2023.

"We have been deeply impressed by the Grant Thornton team, and in our research, Grant Thornton ranked at the highest levels in the U.S. as measured by the quality of its work product and the satisfaction of its clients, even at a much lower price to clients," said Andre Moura, managing director at New Mountain Capital, in a statement. "Grant Thornton's unique culture drives the exceptional service the firm provides its clients, and we look forward to working with Grant Thornton to invest further in technology and automation, talent and new service line capabilities to achieve rapid growth — while maintaining an unwavering focus on quality and client experience."

Koltin Consulting Group CEO Allan Koltin advised New Mountain Capital and Citrin Cooperman on their combination in October 2021, but was not involved in the new deal. "The Grant Thornton deal with New Mountain Capital is another exclamation point on why the accounting profession and private equity are combining forces," he told *Accounting Today*. "Grant Thornton might be the largest CPA firm deal to date, but trust me — other Top 25 CPA firms will follow, including some of the largest in the world. New Mountain Capital hit a grand slam home run on its investment in Citrin Cooperman, so no surprise here that they entered into a second deal in the accounting industry."

GT CEO Siegel cited Grant Thornton's upcoming 100-year anniversary as a companion milestone to its partnership with New Mountain Capital.

"We take great pride in our many accomplishments over the past century, and partnering with New Mountain Capital will ensure that we fully capitalize on the compelling opportunities that will define our next century," he stated. "They share our standards and our vision, and together we will reshape the industry landscape, while enhancing Grant Thornton's value proposition for our full range of stakeholders."

More large firms have been accepting private equity investments in recent years, and just last month Chicago-based Baker Tilly US LLP announced it is receiving an infusion of funding from a pair of private equity firms, Hellman & Friedman and Valeas Capital Partners; until today's announcement, it was the biggest accounting firm to date to accept PE funding. Other major firms that have received PE funding include EisnerAmper, Citrin Cooperman, Cherry Bekaert, Smith + Howard and Schellman & Co.

Private equity firms are increasing their investments in accounting firms for several reasons, according to one expert.

"There is a strong need for public accounting firms to invest today in technology enablement that will drive more efficient auditing processes going forward," said Chris Clapp, who leads CrossCountry Consulting's national private equity practice. "By bringing in private equity capital, and utilizing private equity capital to drive those investments, that is more favorable than utilizing the partnership model of distributing those earnings to the partners, which makes it much harder to be able to invest in the partnership model."

"If you think about the partnership compensation model, it's very much set up to financially reward partners who remain with the business for the long term to reap the benefits of the pension," he continued. "Well, the reality is a lot of the workforce today, the younger partners today, are probably a little bit less incentivized by the pension model. The idea of working for 30 years for long hours, grinding through it and then being able to reap those benefits is less attractive. If you look at a private equity situation, every five years those partners would be going theoretically through equity events, which would provide them the opportunity to take chips off the table, or be able to participate in the exit of those businesses and then roll them forward into the next one, really pulling forward a lot of those earnings, versus having to defer it until they start to receive pension payments."



Grant Thornton Takes Investment from New Mountain Capital

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In the largest private equity transaction in the profession to date, Chicago-based **Grant Thornton** (FY22 net revenue of \$2.3 billion), the 7th largest accounting firm in the country, has accepted a significant investment from New York-based **New Mountain Capital**.

The Financial Times, citing “people familiar with the matter,” reported that New Mountain Capital, which has \$50 billion in assets under management, is taking a majority stake in the firm. The cash, with additional debt financing, will be used to “return capital to partners, buy out retirement obligations to former partners and build a war chest for investment,” according to the newspaper.

Citrin Cooperman was the first to kick off the wave of private equity infusions into the profession in 2021 led by TowerBrook Capital Partners. Top 25 firms EisnerAmper, Cherry Bekaert and Baker Tilly also closed private equity deals. Closing in the Grant Thornton deal is expected in the second quarter of this year.

As is customary in these types of transactions, Grant Thornton will operate in an alternative practice structure with Grant Thornton, the licensed CPA firm, providing attest services and Grant Thornton Advisors offering business advisory and non-attest services.

“The investment immediately enhances our value in the marketplace and enables us to accelerate our current strategy,” said **Seth Siegel**, CEO of Grant Thornton, in a statement. “We’ll enjoy greater scale,

resources and agility, while better positioning the firm to make targeted investments in talent, technology, infrastructure and enhanced capabilities. Grant Thornton will further solidify our position as the industry's platform of choice."

Andre Moura, managing director at New Mountain Capital, said, "We have been deeply impressed by the Grant Thornton team, and in our research, Grant Thornton ranked at the highest levels in the U.S. as measured by the quality of its work product and the satisfaction of its clients, even at a much lower price to clients."

Siegel cited Grant Thornton's upcoming 100-year anniversary as a companion milestone to its partnership with New Mountain Capital, noting that the partnership will help it "fully capitalize on the compelling opportunities that will define our next century." He also predicted the partnership will reshape the industry landscape.

Allan Koltin, CEO of **Koltin Consulting Group**, who advised New Mountain Capital and Citrin Cooperman on their combination in October 2021 commented, "The Grant Thornton deal with New Mountain Capital is another exclamation point on why the accounting profession and private equity are combining forces." Koltin predicted more of the same. "Grant Thornton might be the largest CPA firm deal to date but trust me other Top 25 CPA firms will follow, including some of the largest in the world. New Mountain Capital hit a grand slam home run on its investment in Citrin Cooperman, so no surprise here that they entered into a second deal in the accounting industry."

Grant Thornton Is the Latest U.S. Firm to Get Into Bed With Private Equity

The seventh-largest accounting firm in the U.S. said it will receive “a significant growth investment” from New Mountain Capital.

Jason Bramwell | March 15, 2024



Baker Tilly is no longer the largest U.S. accounting firm that has secured a substantial investment from a private equity group, after Chicago-based Grant Thornton—the seventh-biggest firm in the nation by revenue—said on Friday it will receive “a significant growth investment” from New Mountain Capital “to accelerate [our] business strategy.”

Financial terms of the deal haven’t been disclosed, but the *Financial Times* reported today that Grant Thornton has agreed to sell “a majority stake” to New Mountain Capital, an investment firm headquartered in New York City.

The transaction is subject to regulatory approval and other standard closing conditions. Following the closing of the transaction, which is expected in the second calendar quarter of 2024, Grant Thornton will operate in an alternative practice structure: Grant Thornton LLP, a licensed CPA firm, will provide attest services, and Grant Thornton Advisors LLC will provide business advisory and non-attest services, the firm said.

Grant Thornton recorded a record \$2.4 billion in revenue during its 2023 fiscal year, which ended July 31. New Mountain Capital has approximately \$50 billion in assets under management.

Last month, it was reported that private equity firms Hellman & Friedman and Valeas Capital Partners would take an equity stake of about \$1 billion for just over 50% of Chicago-based Baker Tilly, the 10th-largest U.S. accounting firm by revenue, with more than \$900 million coming from H&F.

This is New Mountain Capital's second major partnership with a top 25 accounting firm in the last two years. The group announced a private equity deal with New York City-based Citrin Cooperman, the 23rd-largest accounting firm in the country, in April 2022.

While Grant Thornton is the largest accounting firm to strike a deal with a private equity group to date, other top 25 firms will follow, including some of the largest in the world, Allan Koltin, CEO of Koltin Consulting Group, who advised New Mountain Capital and Citrin Cooperman on their combination, said in an emailed statement to *CPA Practice Advisor*.

"The Grant Thornton deal with New Mountain Capital is another exclamation point on why the accounting profession and private equity are combining forces," he said. "New Mountain Capital hit a grand slam home run on its investment in Citrin Cooperman, so no surprise here that they entered into a second deal in the accounting industry."

The cash from New Mountain, together with some debt financing, will be used to return capital to current Grant Thornton partners, buy out retirement obligations to former partners, and build a war chest for investment, the *Financial Times* reported. In addition to spending on technology and new service offerings to clients, Grant Thornton could also increase acquisitions, an area where it has historically been less active than many rivals, according to FT.



Seth Siegel

"Our partnership with New Mountain Capital empowers Grant Thornton to deliver transformational, high-quality outcomes for our clients, our talented team members, and the industry as a whole," Grant Thornton CEO Seth Siegel said in a written statement. "The investment immediately enhances our value in the marketplace and enables us to accelerate our current strategy. We'll enjoy greater scale, resources, and agility, while better positioning the firm to make targeted investments in talent,

technology, infrastructure, and enhanced capabilities. Grant Thornton will further solidify our position as the industry's platform of choice."

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"We take great pride in our many accomplishments over the past century, and partnering with New Mountain Capital will ensure that we fully capitalize on the compelling opportunities that will define our next century," he said. "They share our standards and our vision, and together we will reshape the industry landscape, while enhancing Grant Thornton's value proposition for our full range of stakeholders."

In an email to employees about the deal this morning before it was made public, which was posted today on r/accounting, Grant Thornton said the firm's leadership team "will continue to manage operations as well as compensation and promotion decisions—always guided by our people-focused culture and client-centric approach."

In a statement, Andre Moura, managing director at New Mountain Capital, said, "We have been deeply impressed by the Grant Thornton team, and in our research, Grant Thornton ranked at the highest levels in the U.S. as measured by the quality of its work product and the satisfaction of its clients, even at a much lower price to clients. Grant Thornton's unique culture drives the exceptional service the firm provides its clients, and we look forward to working with Grant Thornton to invest further in technology and automation, talent, and new service line capabilities to achieve rapid growth—while maintaining an unwavering focus on quality and client experience."

"We are thrilled to support Grant Thornton as it advances its superior, technology-enabled audit, tax, and advisory services platform," added Nikhil Devulapalli, managing director at New Mountain Capital. "Grant Thornton offers its clients a compelling value proposition and we look forward to helping the firm expand its service offerings and execute on strategic acquisitions to continuously grow its platform."

Deutsche Bank Securities Inc. is serving as sole financial advisor to Grant Thornton, while Dechert LLP and Vedder Price P.C. are serving as legal advisors to the firm, and Mayer Brown LLP is acting as legal advisor to Grant Thornton's Partnership Board. Simpson Thacher & Bartlett LLP and Hunton Andrews Kurth LLP are serving as legal advisors to New Mountain Capital.