

## Private equity groups poised to own one in three top US accounting firms

A wave of talks with financial bidders comes as regulators voice concern about audit quality and 'tone'



The acquisitions by financial buyers of two top-10 accounting firms by revenue has opened the floodgates to other deals  
© Gary Hershorn/Getty Images

**Stephen Foley and Antoine Gara** in New York, June 10, 2024

Ten of the 30 largest US accounting firms could soon be in private equity hands, according to people familiar with negotiations, as at least four groups hold deal talks following this year's sales of Grant Thornton and Baker Tilly.

The acquisitions by financial buyers of those two top-10 firms by revenue opened the floodgates to other deals, the people said, positioning private equity to increase its influence over the US accounting profession dramatically.

One top-30 firm, Atlanta-based Aprio, was planning a deal to sell a majority stake to the private equity firm Charlesbank Capital, according to people familiar with the situation.

Two more — New York's PKF O'Connor Davies and Carr, Riggs & Ingram of Alabama — had engaged bankers to run sale processes, they said.

California-based Armanino, the country's 19th largest accounting firm, according to Accounting Today, was in talks with a private capital provider about selling a minority stake, the people said. Armanino hit the headlines as the auditor of the US operations of crypto exchange FTX, which collapsed in 2022.

The deal wave sweeping the profession means that one in three of the top 30 firms has taken, or is close to taking, private equity investment.

"Partners are waking up to the fact that there is leverage to be had by tapping into the capital markets," said Alan Whitman, a former chief executive of Baker Tilly. "The capital needs of the firms have increased exponentially in recent years, in terms of people costs and investments in offshoring and technology."

Deals can also mean windfalls for partners, and the prospect of capital appreciation via their ongoing stakes.

But regulators have expressed concern about whether private equity ownership could change the "tone at the top" of accounting firms and affect the quality of their audit work. Paul Munter, chief accountant at the US Securities and Exchange Commission, said last month that "firm leaders need to be sensitive to the message such arrangements could send and stand ready to correct any such misimpressions".

Private equity groups have jumped into the accounting sector with enthusiasm. New Mountain Capital's acquisition, with two co-investors, of a 60 per cent stake in Grant Thornton for \$1.4bn was its second deal in the sector. Grant Thornton bosses resolved a dispute with former partners over retirement benefits and the acquisition closed last month.

There was also robust appetite from the loan market for a \$1.9bn debt sale to refinance Grant Thornton's liabilities, which priced with an interest rate 325 basis points above the Sofr benchmark, according to one person familiar with the sale.

"Private capital is penetrating the accounting profession in a way that we never thought possible," said Allan Koltin, a deal adviser to accounting firms. "This is getting into the bloodline of firms of all sizes."

Carr, Riggs & Ingram, which had revenues of \$455mn in its past fiscal year, narrowed potential investors to a field of three after an initial bid deadline last month, according to people familiar with the situation. The deal process is being run by the investment bank William Blair.

PKF O'Connor Davies, whose annual revenues Accounting Today puts at \$380mn, had engaged Capstone Partners to run its sale process, the people said. Aprio, with annual revenues of \$420mn, used the advisory group Falcon.

Charlesbank, Aprio and Armanino declined to comment. Carr, Riggs & Ingram and PKF O'Connor Davies did not return messages seeking comment.