

CRAIN'S CHICAGO BUSINESS

How this accounting firm got private equity's cash kept control

By John Pletz

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Credit: Getty Images

Sikich wasn't alone in realizing it needed more money if it wants to keep pace in the accounting and consulting industry.

Several firms have turned to private equity. What makes Sikich unique is not giving up controlling interest, says Allan Koltin, CEO of Koltin Consulting Group, who has been an adviser on several transactions involving CPA firms and private-equity investors but was not involved in this deal.

Last week, the Chicago-based accounting and consulting firm sold a minority stake to Bain Capital for \$250 million.

"I thought, 'There's got to be a way for us to raise capital and not give up control of the company,'" says Sikich CEO Chris Geier, who came up through the firm's investment-banking and advisory practice, rather than its audit unit. "I had a lot of people tell me it wasn't possible, but we found a way to do it."

Geier says the money will allow Sikich to continue investing in technology and make larger acquisitions, while also providing equity to non-partners. Sikich is ranked among the nation's 30 largest accounting firms. Like others in the industry, much of its growth has come through acquisition, effectively merging with firms.

"Once private equity came into the industry, the days of being able to consolidate by swapping equity were over," he says. "We intend to accelerate our pace and size of acquisitions."

Geier says Sikich began looking for capital last year, originally targeting institutional investors that typically invest in private-equity funds. "We had a lot of interest," he says.

Bain, based in Boston, is a \$185 billion behemoth that has multiple funds, with varying structures and investment strategies, including a special-situations fund that does growth-capital deals without taking a controlling interest.

"As we ended up talking more, I figured maybe there is more to this," Geier says of the discussions with Bain. "It changed my mind from going with a silent limited partner to a private-equity firm that could bring more than just capital."

Koltin says he expects others to follow Geier's lead.

"Sikich was a firm that really wanted to keep control," says Koltin, who has worked with the firm in the past. "Others will now say this is an option."