

CRAIN'S CLEVELAND BUSINESS

CBIZ prepares to join elite firms after 'groundbreaking' acquisition of Marcum

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CBIZ's \$2.3 billion acquisition of Marcum will position it as the seventh-largest accounting firm in the U.S

CBIZ Inc.'s \$2.3 billion acquisition of New York-based accounting firm Marcum is poised to launch the firm into elite company as the seventh-largest accounting firm in the country.

The transaction, expected to close in Q4 2024, will see about half the cost paid in cash and half in CBIZ stock, marking the largest acquisition yet for CBIZ in its 28-year history.

In terms of the biggest firms in the accounting space, as it integrates Marcum, CBIZ will fall behind powerhouse firms that include the Big 4, RSM US and BDO USA

The transaction value is also likely the third largest for an M&A deal in the accounting space ever, said Allan Koltin, CEO of Koltin Consulting Group, who specializes in advising accounting companies, including in M&A deals.

CBIZ says that the deal is projected to result in a combined firm with nearly \$3 billion in annual revenue, more than 10,000 employees and 135,000 clients.

Amy McGahan, director of corporate and strategic communications for CBIZ, described the deal as a “major step forward in accelerating our growth strategy” and one that “solidifies” our standing as a leading provider of professional services to the middle market.”

It also strengthens the firm’s presence in several markets throughout the country.

“In Marcum, we found a service offering very complementary to our own that allows us to continue to provide a breadth of services and depth of expertise that is unmatched,” McGahan said. “In an industry that is in many ways going through a transformation due to a competitive labor market, emerging technologies and the increasing importance of data, scale matters and enables us to make important investments in talent, innovation and the development of new services and solutions for our clients.”

“This is an exciting step for Marcum as we look toward what's next for our business and provide you, our clients, with access to a host of new resources to service your business and personal needs,” wrote Marcum chairman and CEO Jeffrey Weiner in an email to clients. “Upon close, our combined team of 10,000 professionals will offer much more to help you achieve your goals.”

A spokesperson for Marcum did not immediately respond to a request for additional comments on Wednesday, July 31.

According to a 2024 ranking by Accounting Today, CBIZ — plus Mayer Hoffman McCann P.C. (MHM), an independent CPA firm long affiliated with CBIZ through an administrative service agreement — and Marcum are the 11th- and 13th-largest accounting firms in the country, respectively, based on revenue.

The firms say this deal will position CBIZ as the seventh-largest accounting firm in the country.

In 2023, Marcum and CBIZ ranked as the 10th and 21st largest accounting firms in Northeast Ohio as ranked by number of in-market CPAs, according to Crain’s research.

Today, CBIZ reports more than 7,000 firmwide employees to Marcum’s 3,500. This positions the combined firm to have approximately 10,500 employees across some 230 U.S. offices.

McGahan said that there are more details to come regarding potential synergistic cost savings achieved in the deal that might impact staff or locations.

“We do not anticipate any immediate changes in terms of office locations,” McGahan said. “We are in the very early stages of assessing our real estate needs and many of our offices have long-term leases. That said, our combined teams in key markets will have opportunities to connect and interact in the short term.”

She added that while the company does “anticipate synergies, they are not expected in the first 12 months, and we are in the early stages of integration planning that will determine the best opportunities to achieve efficiency and savings.”

The company will have a particularly strong presence in the local market, but to what extent any of those operations are impacted, if at all, is to be determined.

“It is important to point out that CBIZ also has multiple offices in Northeast Ohio—Cleveland and Akron—so as part of integration planning, we’ll consider our presence across the entire region and how we best support the business moving forward,” McGahan said.

Per terms of the \$2.3 billion transaction, \$1.1 billion is expected to be paid in cash and the remaining is expected to be paid in approximately 14.4 million shares of CBIZ common stock. The value of the stock portion of the deal value is based on a per-share price of CBIZ stock of \$76.84.

Concurrent with the closing of the transaction, CBIZ said that the attest business of Marcum will be acquired by MHM.

In the future, McGahan said that MHM will be rebranded under the CBIZ moniker.

Koltin described the acquisition as “groundbreaking” and indicative of how the accounting industry is evolving.

“Every day something now seems to happen in the accounting profession that has never happened before and/or was something we could never have imagined,” he said. “If someone had asked me a year ago if CBIZ and Marcum would ever combine I would have said, ‘not in this lifetime.’”

CBIZ, Koltin said, may very likely be a trendsetter going forward. He suspects other companies may look to follow suit and establish similarly large firms providing a mix of accounting and business advisory services.

“Not only will this create the seventh largest CPA and advisory firm in the country, it will also increase the number of private equity firms and related investment groups entering the accounting profession,” Koltin said.

There were many investment firms interested in buying or investing in CBIZ before this deal came to pass, Koltin said, which may be inspired by what CBIZ is doing.

“I think this is going to spur a whole other round of outside investors wanting to get into the space,” Koltin said, which may include private equity as well as sovereign wealth funds, large family offices, pension funds and other investors outside the U.S.

Koltin is quite bullish on this deal playing out well for CBIZ.

“This is a \$2.8 billion (combined) firm that should be a \$5 billion firm in five years,” he said.

CBIZ has been a very active acquirer of other firms as part of its growth strategy, but those are typically much smaller deals. The Marcum transaction marks the firm’s third deal this year behind the roll-ups of firms CompuData and Erickson, Brown & Kloster.

Asked if CBIZ is putting other deals on hold as it digests the Marcum acquisition, McGahan said the firm will remain in the market for other strategic transactions.

“We have a healthy pipeline of M&A opportunities and are always evaluating strategic acquisitions,” McGahan said. “While our immediate focus is planning around integration Marcum, M&A will remain a key component of our growth strategy.”