

Accounting firm RSM in talks to combine UK and US businesses

Rare transatlantic deal aims to remove 'barriers' to serving mid-market companies across borders



RSM UK had revenues of £543mn in the year to March, while RSM US had revenue of \$4bn in the year to April © FT montage/Charlie Bibby/Dreamstime

Stephen Foley in New York and **Simon Foy** in London YESTERDAY

RSM, the fifth-largest US accounting firm by revenue, is in advanced talks to acquire its smaller sister firm in the UK in what would be the first major transatlantic combination in a sector that is rethinking traditional business models.

RSM US and RSM UK both target mid-market companies too small for the Big Four accounting firms, and they told the Financial Times that the deal would allow them to better serve clients with international operations.

Their talks come as mid-market rival Grant Thornton UK is considering a takeover bid from its affiliate in the US alongside offers from private equity firms, and as other accounting firms look at ways of boosting their international offerings.

RSM UK's 350 partners were given details of the talks on Thursday and were told that final terms of a transaction were still to be hammered out.

RSM UK had revenues of £543mn in the year to March, a 12 per cent increase on the previous year, making it the country's eighth-largest accountancy firm. Chicago-based RSM US had revenue of \$4bn in the year to April, up 8 per cent. Combined, the two businesses would have 23,000 employees and account for a little over half the revenues of the wider RSM International network.

"It's very much a merger," said Rob Donaldson, chief executive of RSM UK. "There is no money changing hands. It's not about generating cost synergies, though there may be some of that. It's about generating faster growth."

Like most international accountancy groups, RSM has traditionally operated through a network of locally-owned partnerships, who share a brand but do not typically share profits, a model that creates "barriers", Donaldson said.

The benefits of rolling the businesses together had been demonstrated internally since the UK firm purchased an affiliate in Ireland last year, and RSM US acquired operations in Canada, he added.

"When you merge, sharing profits across one organisation, some of those barriers drop away," he said.

Brian Becker, chief executive of RSM US, said that the UK firm had capabilities in capital markets consulting where the US firm was less strong. The plan to combine them reflected the deep links between the two economies, he added, given that the UK is the largest destination for foreign direct investment from the US.

The combination was designed to provide a more "seamless" experience for mid-size companies rather than to challenge the Big Four networks of Deloitte, PwC, EY and KPMG, Becker said.

"We're not trying to be the 'Big Five', we're trying to be the 'Big One' to really dominate the middle market."

Donaldson will report to Becker after the completion of the deal, which will require approval from UK partners as well as from regulators. Neither Becker nor Donaldson would commit to a timetable for completing an agreement.

Becker said both firms had decided against taking an investment from private equity, as an increasing number of large accounting firms have done. Such deals can offer a windfall for existing partners, provide equity to incentivise partners, and bring in capital for expansion.

But Becker said RSM was profitable enough to generate the cash it needed to invest on both sides of the Atlantic.

“If we can get capital on our own to fund what we need to do, why not retain 100 per cent of the ownership? That’s just a smart thing to do. If we come to a time when strategically we need to take capital, we will look at all different kinds of outside money if necessary. But right now, we don’t need to.”