

Cohen & Co. gets private equity infusion

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Cohen & Co., a Top 50 Firm based in Cleveland, is the latest firm to receive a private equity investment, in this case from Lovell Minnick Partners.

LMP is a New York-based private equity firm that focuses on investments in financial services, business services and financial technology companies. The amount of the investment was undisclosed, and Cohen did not reveal whether or not it represents a majority or minority stake in the firm. The investment is expected to close on Dec. 31, 2024, at which point the firm also plans to substantially increase the number of employee equity holders.

"We're excited to take on a strategic investment from Lovell Minnick Partners to help drive the firm to the next level and continue on into the future," said Cohen & Co. CEO Chris Bellamy in an interview.

"We're excited to take on the capital and invest in technology, process improvements, identify potential add-on acquisitions, as well as potential lateral hires, as we have a really good track record of doing both. We're excited to adopt the new model, expand our ownership group substantially as a result of the transaction, and position the firm for future success."



Like several other accounting firms that have accepted PE funding, Cohen will set up an alternative practice structure. Cohen & Company, Ltd., a licensed CPA firm, will provide attest services and will be led by Vince Curtright. Cohen & Co Advisory, LLC, not a licensed CPA firm, will offer business tax, advisory and other non-attest services, and will be led by Bellamy. Although separately owned and governed, the two entities will both use Cohen & Co as their brand name. Under this new structure, partners and professionals of Cohen & Co will continue to work together serving clients.



Chris Bellamy

"We will split into the traditional alternative practice structure, with Cohen & Co. retaining the attest firm, and Cohen & Co. Advisory LLC becoming the advisory and tax entity," said Bellamy. "We're targeting a 12/31 close, which will align with the restructuring as well."

The firm plans to use the extra funding to grow. "We will continue to invest in the firm through technology improvement, expanded staffing and continue to grow via acquisitions as well as attract lateral hires," said Bellamy.



Jason Barg

LMP partner Jason Barg led the investment into Cohen & Co. "Our view is that Cohen is really well positioned for taking on a private equity partner, and the additional capital will help an already established and growing firm to continue on that trajectory and even accelerate it," he told *Accounting Today*. "Cohen has got a great history of serving its clients, being known for its specializations and high-caliber personnel, and we believe the funding will further enhance that market position."

Allan D. Koltin, CEO of Koltin Consulting Group, who has consulted with Cohen for over two decades commented, "I can't think of a better strategic combination than Cohen and Lovell Minnick. I would expect this combination to ultimately propel Cohen from a Top 50 Firm nationally to a Top 25 Firm over the next five to seven years. Cohen is recognized as a firm with great leadership and is viewed as a 'destination place' for young, talented entrepreneurs. Lovell Minnick is known in the private equity and accounting communities for their deep understanding and ability to work with professional and financial services firms."

Cohen & Co. has been expanding its SEC audit practice, coming out in first place last year by a wide margin, according to an analysis by Ideagen Audit Analytics.

Cohen & Co. periodically does mergers and acquisitions. Last year, it added Szymkowiak & Associates CPAs and its affiliate, Pear Consultants LLC, in Buffalo, New York, as well as BBD's Investment Management Group, a Philadelphia-based provider of audit and tax services for registered and unregistered investment companies. In 2017, it added Arthur Bell, a firm that specialized in auditing mutual funds, exchange-traded funds, hedge funds and investment advisors. The BBD deal yielded 54 new audit clients. Overall, the firm brought on 62 new engagements last year, and netted 57.

More mergers are likely as a result of the extra funding. "We are always strategically evaluating opportunities in the marketplace, and we'll continue to do so," said Bellamy.

The firm had been mulling PE funding for some time. "As part of our regular, ongoing planning exercise, our board and our leadership team have continually evaluated strategic alternatives, including taking on private equity investment as well as other potential scenarios, and that's been something that's been ongoing for the better part of 12 months," said Bellamy. It has also been a regular exercise that the firm has done over its 47-year history,

As far as areas of the country or specialties where the firm might expand, Bellamy said the firm would continue to evolve and be responsive to the needs of its clients. "We have several national industry verticals and we'll continue to focus on growth, as well as growing within all of our existing geographic markets as well," he added.

Cohen & Co. was founded in 1977 and has more than 800 dedicated professionals across the U.S. and 12 offices in Illinois, Ohio, Maryland, Michigan, New York, Pennsylvania and Wisconsin.

"One of the things that really attracted LMP to Cohen is that within the verticals that they focus on, whether it be real estate or some of the other areas of focus, it's a firm that really has a national caliber," said Barg. "It's well known within its sectors, beyond its regional hubs. We knew of Cohen & Co. for many years because of that capability. We knew them as an industry participant for many years and thought really highly of them. We do think it's a strong launchpad to further build on those capabilities."

One of the reasons why Cohen & Co. was attracted to LMP was its expertise in servicing middle market companies as well as its involvement in the financial services arena, Bellamy noted, adding that LMP has significant overlap with several of Cohen's key areas of expertise.

The firm had been hearing overtures from various PE firms. "From the Cohen side, we're always open minded and have had several conversations with market participants over the history of the firm," said Bellamy. "We have known of LMP through some mutual relationships, and we've had mutual clients that we've also interacted with, so it was easy to pick up the phone when we received the inquiry,"

LMP had also been looking at CPA firms. "We as investors have spent a lot of time working in this specialty consulting area, working with human driven, people driven businesses," said Barg. "Given the growth trends in the sector, the benefits of taking on capital and the fragmentation of this space, we believe that a well-positioned CPA firm has a great opportunity for growth. We've talked to a number of firms over the years, and we hit it off with Chris and his colleagues. We thought very highly of the firm before we got to even know them on a personal level, and then we developed a dialogue leading into this investment. It became very clear that we see the world the same way. We have a strong alignment in terms of where Chris and his colleagues want to take the business. It made the transaction discussions and investment discussions very straightforward. From our standpoint, we became very enthusiastic about partnering with this group of people."

"We are excited to collaborate with Chris, the management team, employees and clients to continue to build on their successes and support their growth trajectory," said Tom Hutchins, a principal at LMP, in a statement.

Cohen & Co, also liked LMP's background. "LMP's experience operating in regulated industries was really important to us," said Bellamy. "We are a significant public company auditor, given the stature of our registered fund practice and the background and the due diligence and the homework that the LMP team has done in the space were truly refreshing, and their willingness to collaborate with quality and risk management top of mind is really important."

Hunton Andrews Kurth LLP served as legal counsel to Cohen & Co, for the deal, while Sidley Austin LLP served as legal counsel to LMP.

"We're truly excited for the future," Bellamy said. "We're looking forward to enhancing our ability to achieve our strategic plan, to be a premium provider of services in the markets and industries we serve, to drive operational excellence and to be the employer of choice, and we're excited that LMP will be our partner along for the ride."