

Best Practices of Acquiring a Non-Accounting Business



the
visionary
group

M&A + Advisory Consultants
for the CPA Profession

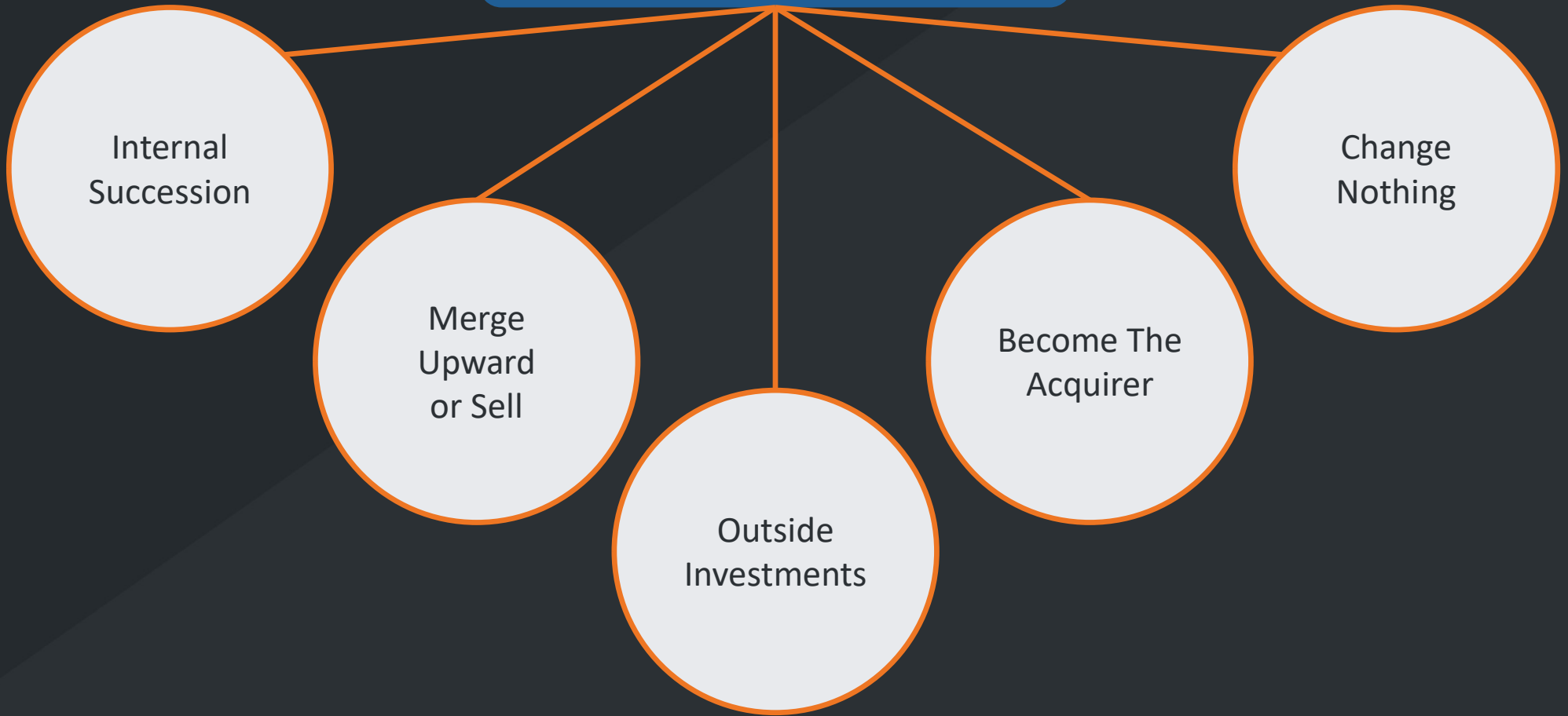


SUPPORTING THE CPA PROFESSION

M&A + Advisory Consultants

- CPA M&A Search + Consulting Team
- Succession Assessments
- Advisory + Profitability Officer
- Capacity Expansion + Growth Realignment
- Value Pricing + Client Upscaling
- Expanding Advisory Services
- Partnership Agreements, Buy-ins + Comp
- Managing Partner Roundtables + Retreats

Inflection Point



To Set Some Tone

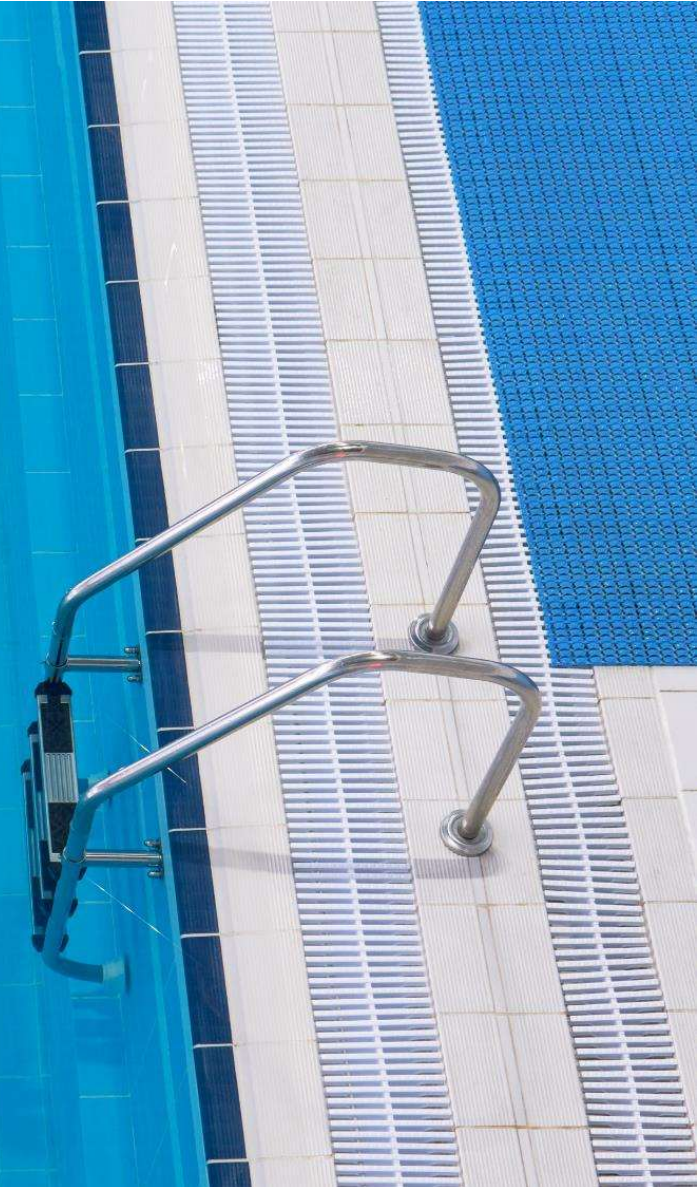
Capacity Stats

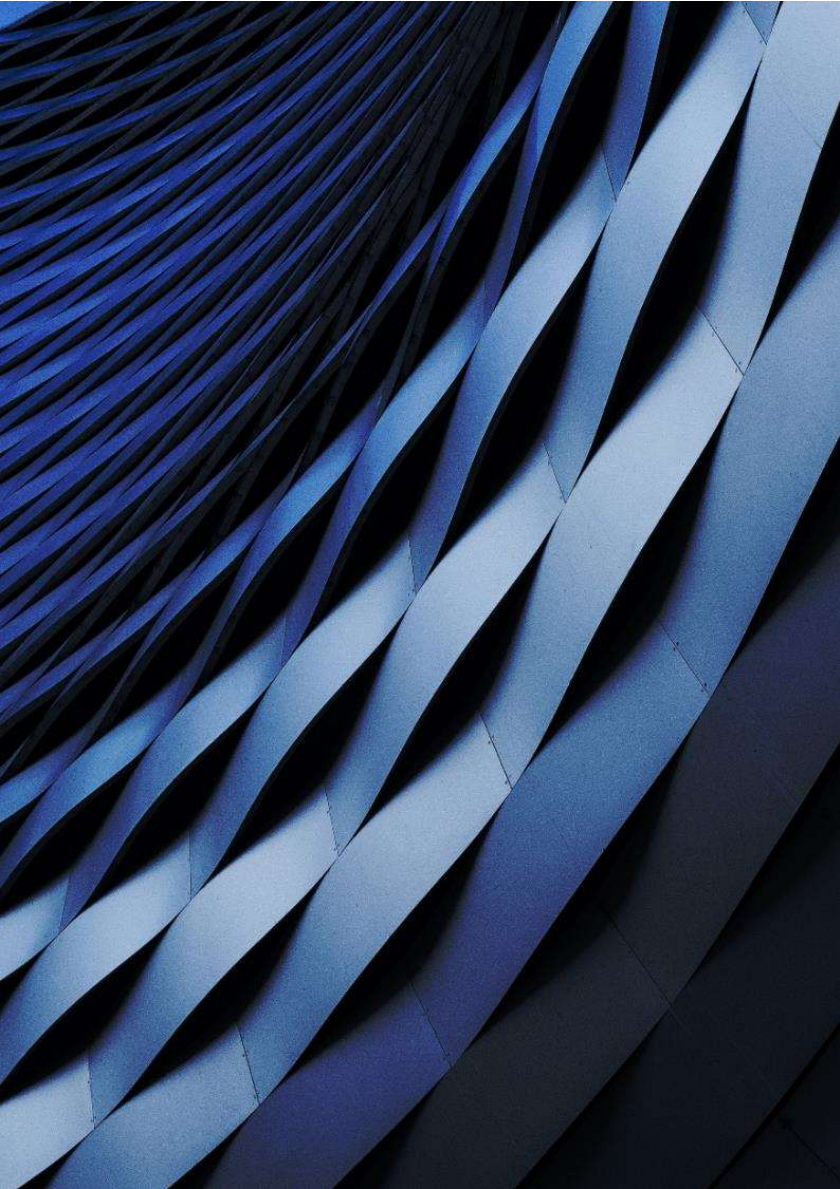
- 9.5% drop in college enrollments
- 16.5% drop in junior college enrollments
- 127,000 to 95,000 sitting for the exam
- Baby boomers retiring
- 75,000 upcoming accounting grads

Think of a swimming pool

Being less dependent on CPAs is a critical factor in a firm's growth path

* Source: American Institute of Certified Public Accountants





Non-Accounting = Advisory

Definition of Advisory

Revenue that...

- Is not tax, accounting or auditing
- Solves or evaluates non-compliance problems or opportunities

Resource Consumption is Key to Advisory

The labor pool opens up

- Accountants are not needed for advisory
- The dependency on CPAs decreases



What is a Non-Accounting Target?

Services Most Businesses Could Use

- Human resources, payroll, benefits
- Technology; cyber, networks, etc.
- Sales & marketing
- Exit & succession

Examples of Specialty Services

- Quality of earnings, fraud, litigation support
- Risk management
- Value Added Resellers (VARs)
- Specialized consultants



The Client Lifecycle

Client's needs change.

As they mature, they need other services and often
have significant value to protect

High value opportunities exist with clients who need to
sell their businesses

Why Non-Accounting?

Why Expand When You Are So Busy?

It's not a choice

- If you do not, you will struggle to survive

Advisory is a Profit & Positioning Tool

- Clients cannot measure compliance value
- Clients remember advice & forget compliance
- Advisory is attractive to recruits
- Advisory fees are often higher





A Logistics Driver Time Compression Factor Year-Round Revenue Generators

- Client Accounting Services
- Wealth Management
- Advisory Services

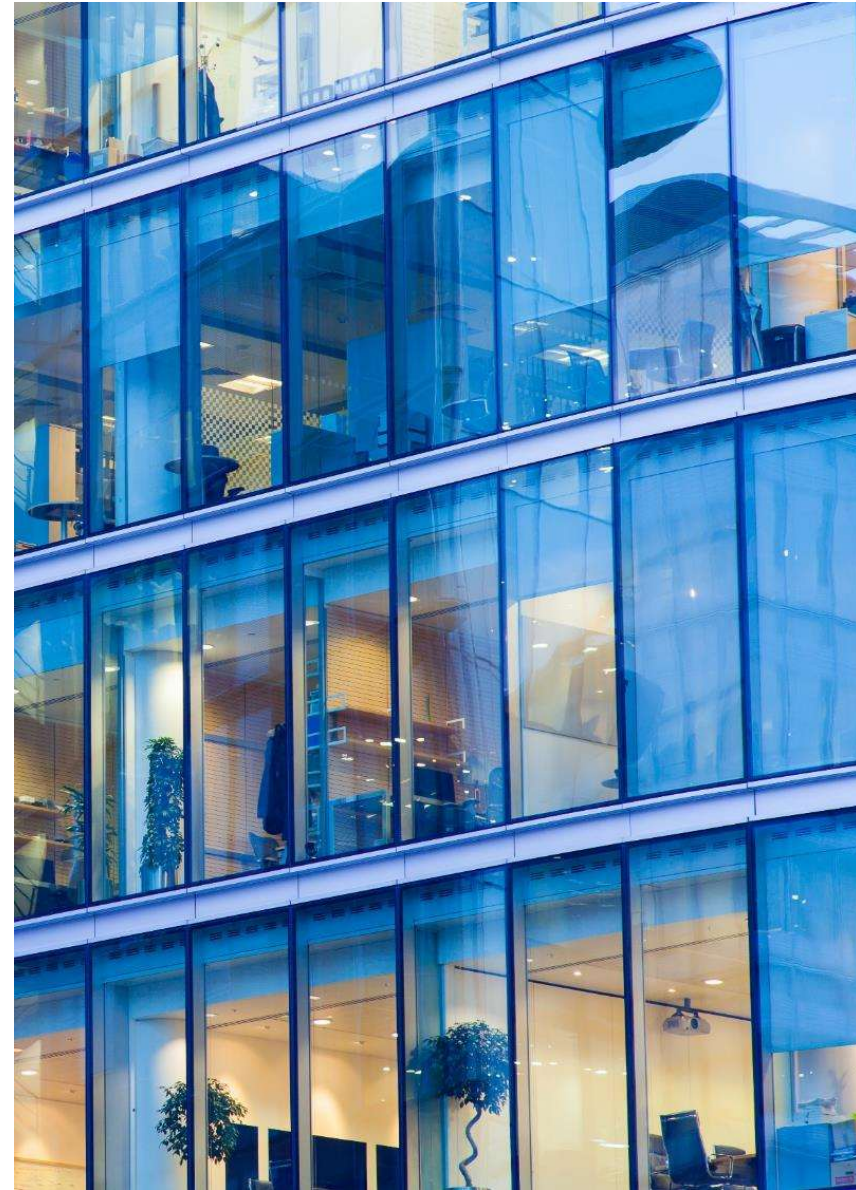
What can be done by Non-CPAs?

When looking at opportunities, untapped or existing year-round revenue is a value factor

What's the Difference?

Between Acquiring an Accounting vs. A Non-Accounting Firm?

- Emotional
- Project vs recurring work
- Different training is needed
- Selling skills are more critical
- Pricing strategies can be very different
- Multiples





Risk Factors In Non-Accounting Businesses

It is a Different Business Model

- May be dependent on retention of the incoming advisory professionals
- Less rules driven
- Often not annuity business
- In-house staff may not have an advisory mindset which can limit success

The Economics

Typical Margins

- Compliance Work
 - \$100,000 engagement
 - \$33,000 profit drop
- Advisory
 - 100% value priced
 - Fees can be success based
- Partnered Advisory
 - \$100,000 engagement
 - 15% revenue share = \$15,000 profit
 - No cost of employees, equipment, training, overhead, etc.

People pay for pain relief



How to Price Consulting

Is There a Price Ceiling?

Fee increases, combined with client culling or upscaling, is where many firms struggle to properly implement.

Pricing Model Fee Options

- Hourly
- Subscription
- Value priced
- Fixed
- Success
- Not to exceed



Leveraging Your Existing Client Base

How Much Opportunity Exists?

We can run your firm's potential today in minutes if you want to meet privately on this

Our Opportunity Calculator

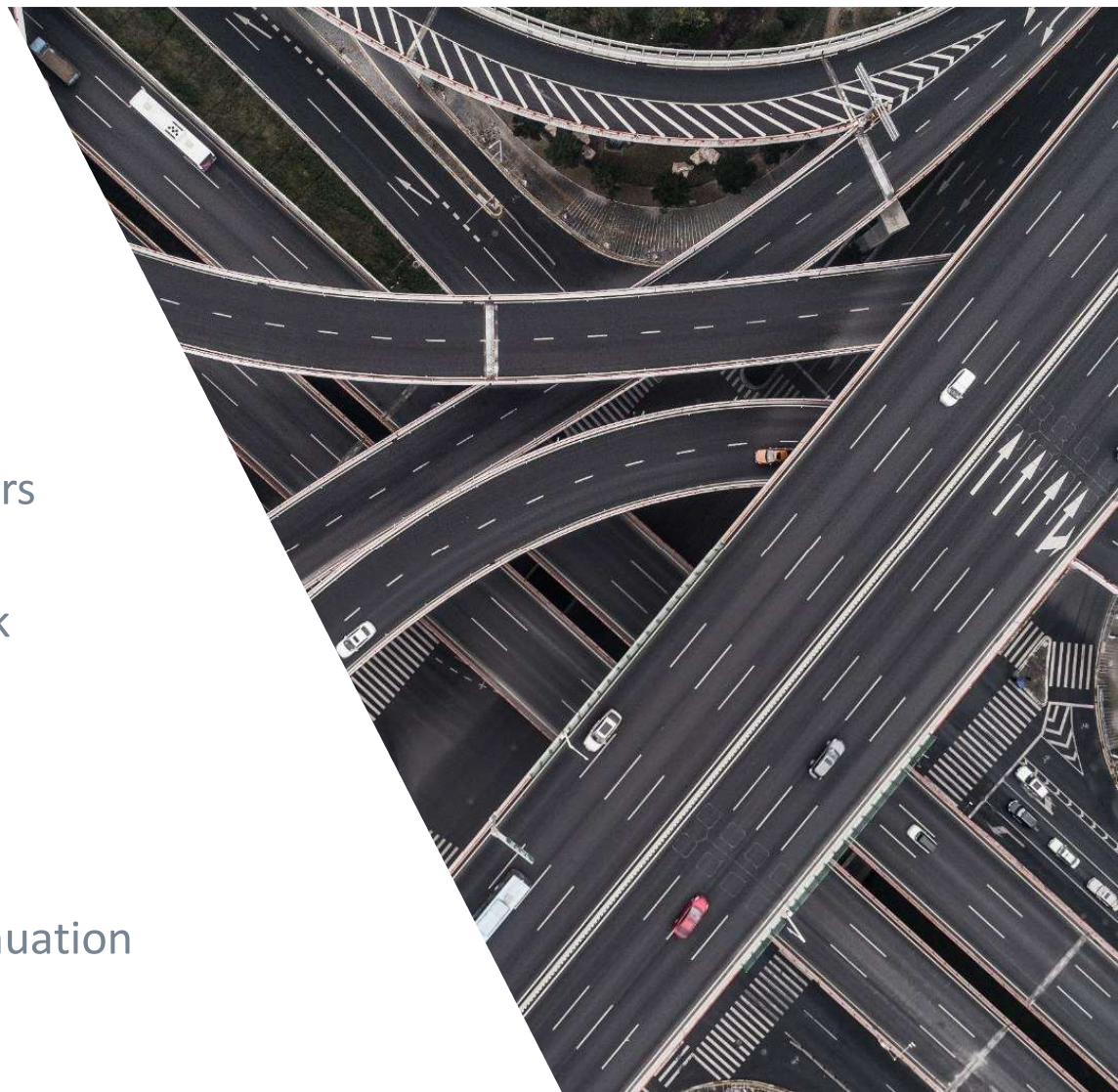
- How many clients need to sell?
- Who needs technology services?
- Any advisory support?

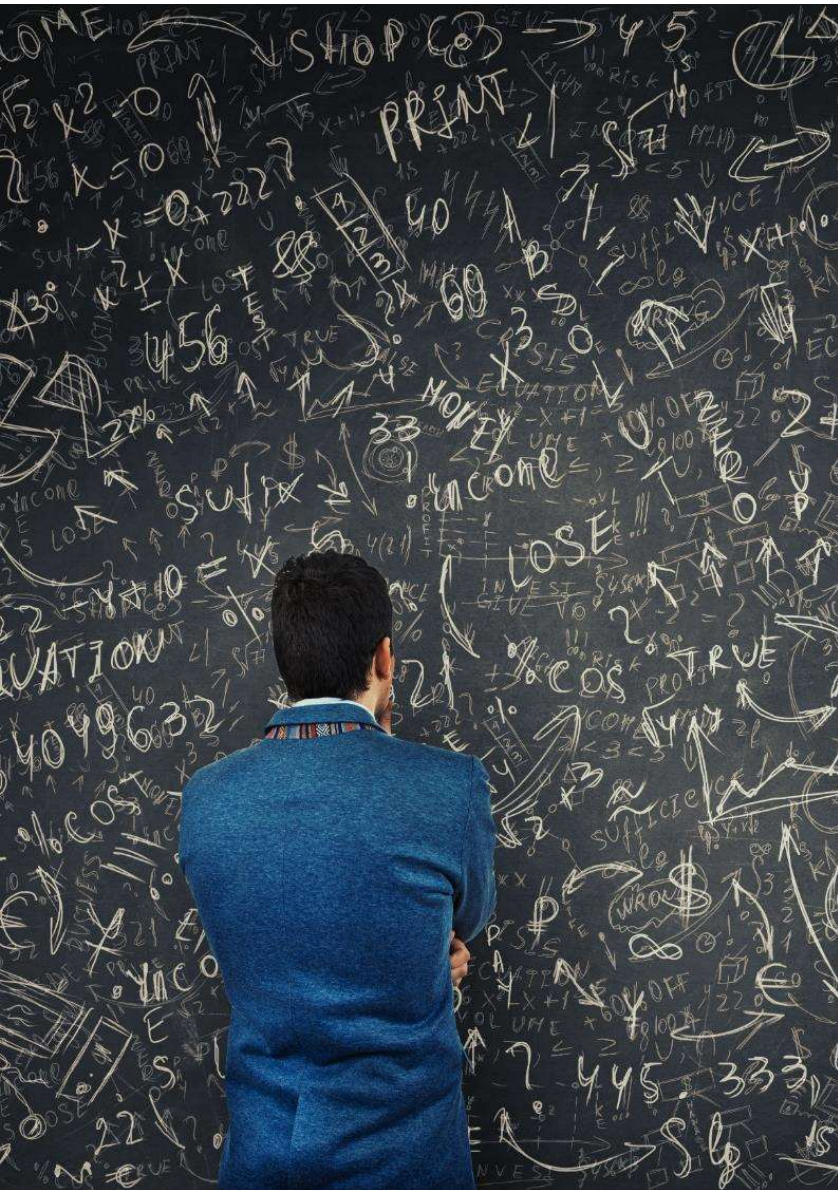


Deal Structures

There is no set standard

- Merger or hybrid?
- Some buy the whole entity and others want majority or minority stake
- A minority interest stake reduces risk
- Claw back clauses
- Growth incentive clauses
- Stock ownership options
- Guarantees needed on owner continuation

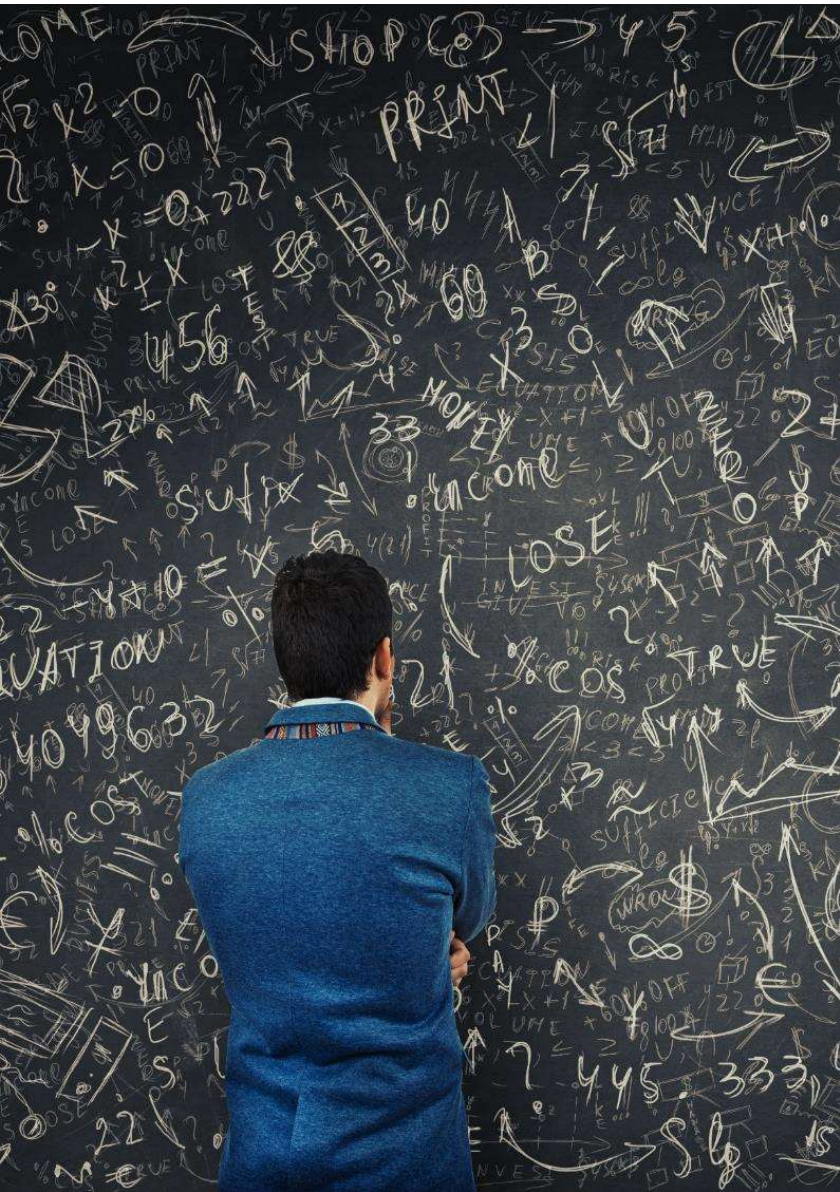




Multiples V1

Valuation Problems

- Misinformation
- Industry differences
- The EBITDA calculation
- Examples of value adjustment factors:
 - Heavy concentration on a single client
 - Market competition
 - Age of clients
 - Industry of clients
 - Intellectual property



Multiples V2

CPA/Accounting Practices

- Range on percentage of revenue (exclude PE for this)
 - .6x
 - .7x to .8x
 - .85x to .95x
 - 1x plus


Non-Accounting Businesses

- Low - 2.5x to 4x
- Mid – 5x to 8x
- High – 9x plus

The background of the slide is a dark, semi-transparent overlay of architectural blueprints. The blueprints include various technical drawings such as floor plans, sections, and details, with labels like 'Section 2-2', 'A', 'B', 'C', 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z', 'AA', 'BB', 'CC', 'DD', 'EE', 'FF', 'GG', 'HH', 'II', 'JJ', 'KK', 'LL', 'MM', 'NN', 'OO', 'PP', 'QQ', 'RR', 'SS', 'TT', 'UU', 'VV', 'WW', 'XX', 'YY', 'ZZ', 'AAA', 'BBB', 'CCC', 'DDD', 'EEE', 'FFF', 'GGG', 'HHH', 'III', 'JJJ', 'KKK', 'LLL', 'MMM', 'NNN', 'OOO', 'PPP', 'QQQ', 'RRR', 'SSS', 'TTT', 'UUU', 'VVV', 'WWW', 'XXX', 'YYY', 'ZZZ', 'AAA', 'BBB', 'CCC', 'DDD', 'EEE', 'FFF', 'GGG', 'HHH', 'III', 'JJJ', 'KKK', 'LLL', 'MMM', 'NNN', 'OOO', 'PPP', 'QQQ', 'RRR', 'SSS', 'TTT', 'UUU', 'VVV', 'WWW', 'XXX', 'YYY', 'ZZZ'. The text is centered over the blueprints.

End of the Day...

Price is What a Buyer is Willing to Pay
and a Seller is Willing to Accept



Creating Advisory

Build it
Buy/merge it
Partner



How to Partner

1. Identify external service experts
2. Create revenue sharing agreement
3. Educate your team
 - Train them on what to look for
4. Start contacting the client base
 - Take the top layer off first
 - Then market with videos, emails & webinars



What's Your Vision?

How do you weigh your options?

Not Sure Where to Start?

Scan this QR code

the
visionary
group



Building Firm Value

Each Visionary Team Member Brings A Unique Background & Set of Skills



Contact Us
www.ThinkVisionary.com
(800) 995-9186

Follow Us

