

A New Model for PE Investment Relieves Leaders from Non-Client Work at LMC

BY: CHRIS CAMARA

Six months after the launch of a new private equity-backed platform for regional accounting firms, three deals are complete and one MP is relishing the time he had previously spent handling firm benefits, hiring new C-suite leaders and wrangling with technology.

"There are all these different things that they're doing to really help somebody like me get out of the weeds and go out and do what I'm best at, which is bringing in business and consulting with my clients," says **Lee Cohen**, MP of New York-based **LMC** (FY22 net revenue of \$19.2 million). "We're embracing everything because we're so tired of the typical accounting profession challenges that we're facing. And they're working so hard to solve them, it's just amazing."

Cohen is referring to the leaders of **Alpine Investors** and **Ascend**, the platform Alpine launched in January of 2023. The Ascend team is working closely with LMC and two other partner firms – Vancouver, Wash.-based **Opsahl Dawson** and San Antonio-based **ATKG**.



Lee Cohen

The deals represent a new model for PE investment, which is becoming more common for larger firms looking to afford improvements in technology, hiring and acquisitions to fuel new growth. Rather than looking to top-tier firms, as in the deal between TowerBrook Capital Partners and EisnerAmper two years ago, Ascend seeks instead to invest in regional firms of about \$10 million to \$50 million. In all three Ascend partnerships, the firms have remained independent and, as is common with PE deals, they have divided the business between two entities, a licensed CPA firm handling attest services and the other offering tax and advisory services.



A THREE-MONTH JOURNEY FROM PITCH TO DEAL

For LMC, the journey to the PE investment started with a cold email pitch Cohen received in January. He liked what he learned and quickly found himself immersed in conversations, due diligence and paperwork culminating in a final deal three months later.

“It’s been a whirlwind but very careful, very strategic,” he says. “They’re very focused on helping us grow, giving us the tools, and at the same time not getting in the way. That’s a balancing act, and for me, the character of the people I’m dealing with is very important. I’m a pretty good judge of character. Throughout the whole process they’ve been an amazing group of people to work with.”

The Ascend model was attractive to Cohen for numerous reasons. At 50, Cohen still sees a long career ahead of him and for LMC’s staff, he predicts a much faster path to equity than that of a traditional CPA firm. Also, since merging up or an outright sale to a private equity firm was out of the question for the man long dedicated to building the business, he says the support of Ascend means a broader look at growth beyond serving clients.

“We’ve had explosive growth and managing that growth was just getting harder and harder for me, and not having a real plan was tough.” The entire firm was so focused on handling the workload that strategic planning took a back seat. “That’s just because we were just growing and it was client service, client service, client service.”

CONCRETE HELP AND FEW POTENTIAL DOWNSIDES

For the next 12 months at least, **David Wurtzbacher**, Ascend’s founder and CEO, will work hand in hand with Cohen and his team on short- and long-term goals, and

the firm has already seen a number of concrete benefits, including:

- ▶ A technology evaluation to determine how to streamline processes.
- ▶ A shift to Ascend’s insurance platform, freeing up time spent on health benefits and the firm’s 401(k).
- ▶ Hiring support. Ascend’s chief people officer helped LMC hire a chief growth officer, using a far different philosophy than Cohen: attributes over experience. “I didn’t believe it and to be honest I fought them.” Ascend recommended a professional without CPA firm experience, and she has worked out amazingly well in the role, he says.
- ▶ Recruitment support. Ascend has shifted LMC to its recruitment platform and is training staff on interviewing best practices, sharing resumes and working closely with the LMC HR team and recruiter.

The only downside Cohen can see is the possibility that a client may not want to be associated with a PE-backed CPA firm. He hasn’t heard that yet, but clients have asked if partner relationships will change and if fee increases are planned. “I assured them that’s not the case.” Fees have increased twice over the last two years, but those decisions were made prior to the private equity infusion.

For now, the experience has been nothing but positive. “If you asked me two months ago, ‘Did I think I could be this happy?’, I would have said no.”



David Wurtzbacher