

The logo for transitionadvisors LLC features a green arrow that curves from the bottom left, loops around the top, and points to the right. The text "transitionadvisors LLC" is written in a sans-serif font, with "transition" in bold and "advisors LLC" in a lighter weight. The background of the logo is white, and it is set against a blue background that also features a partial view of a calculator keyboard on the left.

transitionadvisors LLC

A photograph showing two men in business suits. One man is in the foreground, looking towards the right. The other man is in the background, also looking right. They appear to be in a professional setting, possibly a meeting or a presentation.

Leading CPAs Through Transition With Succession and M & A Strategies

Tax Season Implications for M & A of Accounting Firms

Joel Sinkin, President
Transition Advisors



Transition Advisors

◇ About Us

- Merger and transition advisors exclusively serving the accounting industry
- Customized solutions
- Hundreds of transactions, over 24 years of experience
- Represent the buyer or seller
- Services include:
 - Buyer-seller introductions
 - Merger and acquisition transaction structure
 - Document preparation/review, valuation and due diligence
 - Post-transaction business planning
 - Partnership agreements, retreats
 - General consulting and coaching

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Transition Advisors, LLC

National consulting firm working exclusively with accounting firms on issues related to ownership transition



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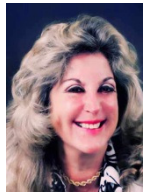
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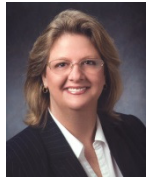
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If there are 50 things you need to think about in a transaction.....



.....the smartest of us will think of only 35



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Valuing a firm sold before versus post tax season

An accounting firm is sold based predominantly on 5 variables

- > Cash Upfront if any
- > Duration of the retention period
- > Profitability of the deal
- > Duration of the payout period
- > The Multiple



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Valuing a firm sold before versus post tax season

- Cause vs effect
 - Multiple = effect
 - Balance = cause
- Basic rule:
 - Lower down payment, longer payout period
 - Higher profitability, longer guarantees = higher multiple
 - Tax season implication on cash upfront and therefore multiple



Starting the Transition Process

When should we start?

- How many more **tax seasons** do you want to work?
- Client “face time”
- Investments including technology, leases, staff

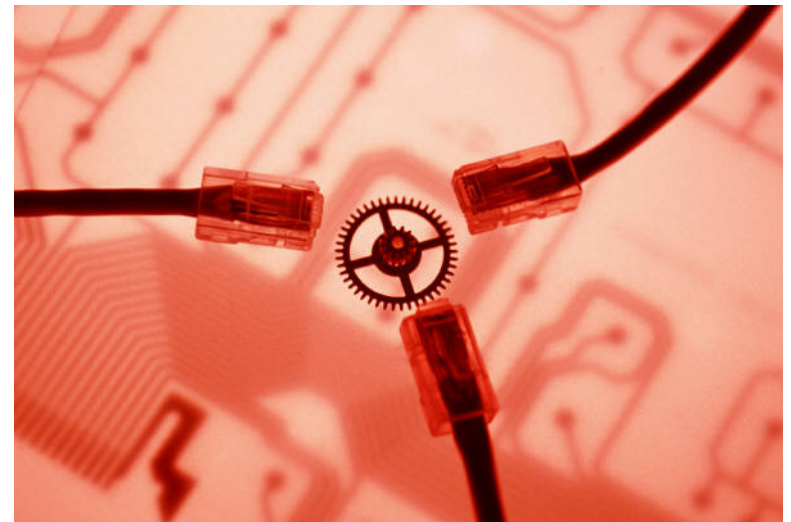


Things going to get worse as supply (of sellers) increases vs demand:

Whose in trouble re buyers versus sellers marketplace?

Tax Season Issues in Integration

- IT
- Software
- Pro formas
- Culture
- Compensation discrepancies
- Client service
- Administration
- This is nuts to do when we are nuts ourselves



Options for Affiliating Before Tax Season

- Closed the deal and integrate prior
- Close the deal and not institute many changes until post season
- Work out terms, close but not have deal effective until post season



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Reasons for Affiliating Before Tax Season for Firm Merging up or Sellin~

- Back Up: Busiest time of year
- Security: Staff/partner loss due health, loss for other reasons
- Built in Practice Continuation Agreement
- Introductions: only time in the year we deal with every client
- Promotes continuity
- Values in future less



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Reasons for Affiliating Before Tax Season for Successor Firm

1. Client contact
2. Helping protect the asset you want to affiliate with
3. Continuity
4. Cash Flow
5. Locking up your Deal



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Other Items to Consider if You Cannot Get the Deal Done in Time

- Be wary of the wrong messages sent by successor firm who suggest they can no longer work on deal due to tax season, mergee seller can get away with it though
- Plant your seed before others do
- Not all impacted as greatly by tax season
- Some more impacted beginning of season, others more the end
- Greatest concern is time but that doesn't mean there should be no communication



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Other Thoughts Important Year Round

- General “Chemistry” between the parties
- Continuity/Culture of relationships will help retain clients
- Capacity to take over the roles being diminished
- A *good* deal is a *fair* deal
- Remember, it’s the package, not the individual variables
- Staff merging



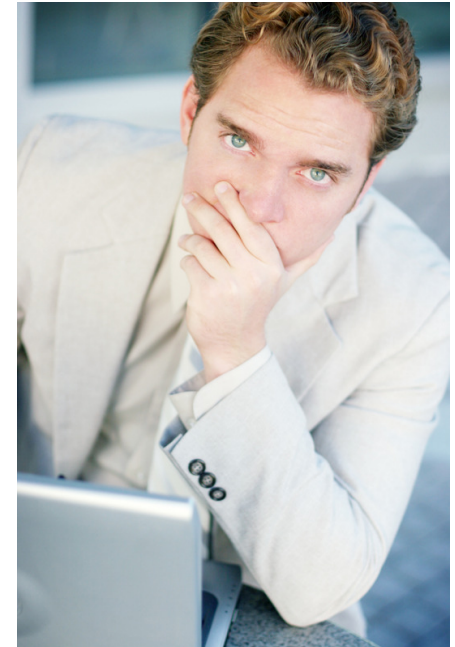
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Transitioning Clients

What are the Client's fears?

- Is the Partner/Owner I trust still there?
- Is it going to cost me more money?
- Do I have to travel far to meet with my new accounting firm?
- Is the staff I am accustomed to working with part of the successor firm?



CHANGE IS A DIRTY WORD.

THE EMPHASIS NEEDS TO BE ON CONTINUITY.
NOT THE LOSS OF, BUT THE GAIN OF



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For More Information

Please visit our website for resources including
FREE reports, whitepapers and case studies.

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