

How Consero helped large acquisition-driven business establish a rollup platform and accelerate acquisition returns

Case Study



A large provider of systems and applications management software backed by a private equity firm had some significant problems managing the major changes to its business that regularly occurred due to incorporating rollup acquisitions into its business model. With an emphasis on adding smaller operations, a number of issues tied to standardization, visibility and prompt completion of accounting activities arose. The Houston-based business turned to Consero for help streamlining accounting practices and realizing better results – including increasing its valuation – following a series of rollups that pushed its accounting infrastructure to the breaking point.

Understanding the many accounting problems facing the business

The business had recently completed the acquisitions in the legal and functional sense, increasing its value to \$300 million, but had not fully integrated accounting processes between all the new entities under its umbrella. It had four more companies in the acquisition pipeline, which only made the problem more severe considering the 6-12 month optimization timeframe. All of the individual organizations had their own systems and workflows that were incompatible with the core company and each other. Generating consistent reporting was difficult, if not impossible.

Accounting relied on an outdated Great Plains system that couldn't effectively manage various vital tasks.

- ◆ Revenue recognition was fractured to the point of needing to use offline Excel sheets to complete this foundational activity, and deferred revenue wasn't captured correctly.

- ◆ The company had freelance accountants dispersed in an inconsistent, unsustainable manner.
- ◆ It lacked A/P and expense automation capabilities.

With so many issues that needed to be addressed on a constant basis, the accounting team didn't have the bandwidth to make substantial improvements. Without bringing on a dedicated acquisition integration team – an especially costly proposition and one that's difficult to utilize efficiently in the long term – the business had little hope of deploying an efficient and effective rollup play.

With the company's business strategy built in significant part on rollups bringing a greater number of smaller businesses into the fold over time, and a desire to expand to provide related services alongside their software, the need to make significant, positive change was clear.

Going forward, a Finance-as-a-Service model could provide finance & accounting support that is:

- ◆ Flexible
- ◆ Consistent
- ◆ Scalable

An effective solution that adapts along with the company

An organization focused on rolling up smaller companies will have regular peaks and valleys when it comes to integrating new acquisitions and adjusting and improving accounting processes accordingly. Consero's provision of Finance as a Service allows for seamless adaptation along with scaling staff and support as needed. The company

can operate between acquisitions normally, then capably adjust during periods where a new acquisition needs to be brought up to speed and integrated into the larger operation. Currently, Consero has 17 accounting professionals on staff, split between senior leaders and frontline staff.

Another valuable element that Consero brought involved implementing a new technology stack to align all of the constituent businesses. With Consero's combined experienced and knowledgeable implementation team, the company saw some major improvements. It can now ensure vital accounting needs like reporting are completed in a consistent, highly visible fashion across all of its constituent entities. That includes all of its rollups, including a recent \$100 million acquisition, as well as the \$300 million holding company.



The substantial benefits that come with Finance as a Service

With a methodology including: centralize, standardize and automate, the Consero team established a 30-day implementation playbook for adding acquisitions into the new tech stack. This is a transformational change that greatly reduces stress on in-house staff and leaves them free to address the many other M&A concerns that need their attention. With a well-oiled machine in place, future additions will be a simple, standardized process. Consero has staff trained in the necessary processes to quickly and accurately complete this process. With so much of the effort centralized,

standardized and automated, costs, reporting and scalability all improve. Phase 1 of the project alone involved savings of 63%.

Similarly, the CFO of the private equity firm backing the business and the company's own senior accounting staff no longer need to dedicate significant attention to the technical needs of the rollup process. Instead, they can focus on strategy, investment considerations and future rollup targets, which is a key driver of value.

Instead of the internal accounting team trying to manually complete revenue recognition and compile incompatible reporting from across the many constituent companies, the business now

- Unreliable finance staff.
- Outdated finance & accounting system.
- Fractured revenue recognition.
- Difficulty closing the books.
- Due diligence was a burden.
- Time to optimize was 6-12 months.

BEFORE

AFTER

- Trained finance team is able to scale as needs change.
- Modern cloud-based software stacked for all financial needs.
- Standardized and automated processes.
- Ability to adhere to standard two-week close.
- New acquisitions have a timely and effective process in place.
- Optimized in 3 months.

enjoys standardized reporting with automated dashboards and real-time visibility via Consero's financial console, appropriately named SIMPL. This is true now and will remain so into the future, as additional rollups are quickly and reliably added to the tech stack.

With Consero taking the lead on staffing related to integrating rollups and managing core considerations like automated reporting, A/P and expenses, the company enjoys another major benefit: Significantly reduced recruitment, training and management costs. With a well-designed and reliable model, as opposed a fluctuating model, it is much easier to anticipate and budget for accounting needs. The Consero internal team for this client is up to 17 people. If the client chose to staff in-house rather than leverage Consero, it would have cost a significant amount in salaries and benefits for a full complement of employees. Consero offer the same level of expertise and ability at a fraction of the cost (30-40% less than in-house).

How else has Consero helped?

- ◆ The books are closed on time, reporting is accurate and consistent and consolidation is an automatic process.
- ◆ Due diligence is no longer a burden, it's easily worked through.

- ◆ Along with addressing specific issues tied to incorporating rollups into the parent company and managing staffing concerns, the business now has a more accurate, timely and effective accounting function in place.

The value of Finance as a Service to this large company and many others like it is clear. With a dependable partner providing top-notch, customized finance & accounting support that scales with business needs, executives can be confident their organization is in the best position to realize a number of benefits:

- ◆ Improving finance & accounting processes
- ◆ Reducing associated costs
- ◆ Enhancing operational insight
- ◆ Providing enhanced infrastructure
- ◆ Shortening the monthly close complexities and timeframe

All of this is possible with the right outsourced partner. To learn more, get in touch with Consero today.



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