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Editor

Intel ID : 232513

## Andersen Tax lines up partnerships in Latin America, Canada, EU, Asia and Middle East

Proprietary Intelligence

04-JAN-2016

**Andersen Tax**, a San Francisco-based tax advisory group, continues growing aggressively in Latin America where it plans to enter several new markets in 2016 and reinforce its presence in those entered in 2015 with notional equity partnerships, CEO Mark Vorsatz told TTR.

Andersen closed 2015 with around USD 197m in revenue attributable to US operations and global revenue of around USD 250m, Vorsatz noted. Overall EBITDA will be in the USD 26m region, he said. "We should get to 30% to 35% growth in 2016," Vorsatz said, noting he's working on a few deals that if closed could bring Andersen to revenue of USD 1bn in two-to-three years.

The company is not acquisitive and will desist from partnering with tax and legal specialists that want to sell their practice. The objective is to grow by incorporating like-minded firms within the Andersen Tax group under a profit sharing agreement where the partners of those firms retain equity ownership, he said. Andersen is not entertaining suitors though it is targeted for takeover on a regular basis, said Vorsatz. "I've been approached many times by firms looking to buy us – including by big four," he said.

Vorsatz said he aims to build Andersen for the next generation and despite being the largest stakeholder, has no intention to cash out in an impressive liquidity event. "You have to build a succession plan," he said. "I'm 61. My goal is to work until I'm 68," Vorsatz added. In the meantime, Vorsatz said he is grooming successors and keeping an eye out for rising stars within the ranks of the new firms joining Andersen.

Vorsatz takes a long term view of geopolitics and is guided by demographics as he positions Andersen for the long term, he said. Asia, Africa and Latin America will be the engines of growth by 2050, he noted.

In 2015, Latin America was the primary focus of the company's international expansion and the trend will continue through 2016, Vorsatz said. "The demographics in most Latin American cities are very positive. The population of Guatemala is twice that of Switzerland, twice Austria," he noted. The company is in advanced talks with law firms in Argentina, Brazil, Colombia, Peru and Uruguay after closing several deals in 2015 to establish a foothold in Mexico, Brazil, Guatemala and last month, Chile.

Andersen is interested in incorporating partnerships with a tax practice, even if it's small, as well as a corporate practice, he said. By mid 2016, Andersen will announce deals with law firms in Guatemala, Peru and Panama, Vorsatz said. In Spain and Germany Andersen is in talks with firms that could quickly double the group's headcount in the EU, said Vorsatz. It is also in advanced dialogue with Canadian firms based in Calgary, Montreal, Toronto and Vancouver, the CEO noted.

Even left-leaning countries like Venezuela and Cuba and unstable markets of the Middle East are on Andersen's radar for medium-term growth, Vorsatz said, noting the company had registered its trademark in Cuba recently and is eager to get on the ground as more US businesses eye opportunities in the island. "I'd like to get on the ground in 2016. For us to get in the markets earlier gives us a competitive position relative to the big four," Vorsatz said.

While Venezuela is, for the time being, considered a second-tier market for the company, despite being Latin America's fifth most populous, Andersen has been contacted by a handful of firms keen to form partnerships, he said, and Andersen is nurturing those relationships. "Hopefully a new administration will send some signals that will generate some investment. Then you'll see the whole environment improve," Vorsatz said in reference to Venezuela. In the Middle East, the company has been in contact with firms from Bahrain, Abu Dhabi, Egypt and even Iraq, he said.

Andersen hadn't planned on entering Asia in the near term, but the company is now "taking a hard look at India," given changes prime minister Narendra Modi is implementing, he added. "Its GDP is going to overtake China this year; the market is determining things, the upside potential is phenomenal and it's creating a lot of opportunity for more foreign investment," Vorsatz noted. Other Asian markets of interest beyond the two largest include Indonesia, Philippines and Vietnam, which have a combined population 1.5x the size of the EU, he pointed out.

The weak macroeconomic picture in Latin America hasn't discouraged Vorsatz, he said. On the contrary, the strong dollar has given Andersen extra firepower to pursue its international expansion, which has required investment of some USD 10m to USD 15m in the past couple years, he said.

In the US, Andersen continues to grow organically at a fast clip as well, enjoying 18% revenue growth YoY in each of the past two years, Vorsatz said, while client growth is also up by 18%. "With 60% compounded growth over a three-year period, that's about as fast as you can manage the growth," he said. Vorsatz highlighted the ties between the Southern US and Latin America as drivers of the company's southward expansion. The only remaining pockets where Andersen seeks to add offices in the US are Atlanta and Miami, he said, the latter largely because "it's the port of call for Latin America".

Andersen has 19 offices in the US, 18 in the EU and eight in Latin America. Its first office in Latin America joined in June. The Mexican firm was soon joined by two more in the country. By the end of 2016 it will likely grow its Latin American footprint to 20 offices, including two more in Mexico by the end of 1Q16, Vorsatz said. In 1Q16 it will also likely decide on whether to incorporate another firm in Guatemala, where advanced talks are ongoing, as well as determine which firm is the right partner in Peru. It will also announce a partnership in Panama in the coming months, Vorsatz said.

"My goal is to substantially complete the roll-out in Latin America by the end of 2016," said Vorsatz, noting the expansion in the next 12 months would not include second tier markets like Costa Rica, Ecuador and Venezuela. Argentina would take precedence, or getting more presence in Brazil, he said. Things will improve in Brazil with the right stimulus and changes in policy, he said. "Brazil will be among the top 10 markets globally in the next 10 years. The same in Mexico," he added.

Firms that join Andersen are often concerned about the level of operating independence they'll have after adopting the Andersen name, said Vorsatz, noting headquarters administered the group in a "fairly decentralized" manner.

Local practices have much more operating authority, to set salaries and decide who to promote relative to the norm at now defunct Arthur Andersen, he said. The name was a deterrent, initially, but that has reversed, said Vorsatz, and now firms are eager to adopt the Andersen Tax brand.

Firms that have sought to join Andersen have also been wary of the financial implications of joining Andersen Tax, Vorsatz noted. The company has proved flexible in integrating new firms that operate under different business models, however, and it continues to look at a comprehensive global financial solution in dialogue with all the groups, a process Vorsatz said he hoped to complete in 1H16. Full financial and IT integration could take three-to-five years, however, Vorsatz conceded.

Vorsatz said he is the biggest advocate of expansion, investment and training. "That's what is going to seed the business for long-term growth. I could make more money personally by not growing. It would be easy for us to find a buyer; tons of buyout firms contact me. I'm not personally interested, and if the majority of the partners are, I'll leave. The vast majority of our partners embrace the concept of stewardship," he said.

### TTR Radar Details

Intel ID	232513
Value	ND
Native Currency	US Dollar (USD)
Financial Data - Andersen Tax (31-Dec-2014)	Revenue: USD 197.00m EBITDA: USD 23.00m
Date	04-Jan-2016
Country	United States Colombia Peru Guatemala Mexico Spain Indonesia Philippines Vietnam India China Germany Egypt Iraq United Arab Emirates Bahrain
Region	Latin America Latin America (Exclude Brazil) Iberian Peninsula Middle East
Continent	North America Asia South America Europe Central America Africa
Geography	Cross-border
Sector / Subsector	Services and Distribution / Financial and Insurance
Type	🔒 <b>Proprietary</b> Intelligence
Intel Grade	Confirmed
Source	TTR Intelligence
Tags	Market Entry Partnerships & Alliances Succession Planning

### Parties

Related Entity			
Name	<a href="#">Andersen Tax</a>	<a href="#">View Profile</a>	
Sector	Services and Distribution	Subsector	Financial and Insurance
Country	United States	Website	<a href="#">www.andersentax.com</a>
Description	Tax firm.		

#### Legend:

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- ⚪ **Potential:** Unconfirmed as a party to an active or possible transaction.
- ✅ **Retained:** Confirmed as "Retained" with a general or specific mandate.
- ✅ **Prospect:** Advisory "Prospect" in discussions with or pitching services to possible client.

Transactional data is continuously updated by the research team and therefore is subject to change.

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