

Andersen Group
First Quarter 2026 Earnings Conference Call
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Certain statements made on this call are forward-looking statements within the meaning of federal securities laws. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied. These risks and uncertainties are described in our earnings release and our SEC filings, including our Form 10-K for the year ended December 31, 2025. Except as required by law, we undertake no obligation to update any forward-looking statements. We will also reference certain non-GAAP financial measures today. Reconciliations to the most directly comparable GAAP measures are included in our earnings release and will be available on our website.

Presenters

Mark Vorsatz, Chief Executive Officer
Neal Livingston, Chief Financial Officer
Bill Deckelman, Chief Legal Officer
Greg Vistica, Managing Director, Investor Relations

Q&A Participants

Mark Marcon – Baird
Faiza Alwy – Deutsche Bank
Toni Kaplan – Morgan Stanley
Tobey Sommer – Truist Securities
Kevin McVeigh – UBS
Jason Haas – Wells Fargo
Andrew Nicholas – William Blair

Operator

Greetings, and welcome to the Andersen Group First Quarter 2026 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, press star, zero, on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce Greg Vistica, Managing Director, Investor Relations. Thank you. You may begin.

Gregory Vistica

Thank you, Diego. Good afternoon, everyone, and thank you for joining the Andersen call to discuss our first quarter earnings results with Andersen Global Chairman and Chief Executive Officer, Mark Vorsatz; and CFO, Neal Livingston. After their presentation, we will take questions

from the analysts. Our call today is scheduled for approximately 45 minutes. But before we begin, our Chief Legal Officer, Bill Deckelman, will discuss forward-looking statements. Bill?

Bill Deckelman

OK. Thank you, Greg. Please note that certain statements made on this call are forward-looking statements within the meaning of federal securities laws. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied. These risks and uncertainties are described in our earnings release and our SEC filings, including our Form 10-K for the year ended December 31, 2025. Except as required by law, we undertake no obligation to update any forward-looking statements. We will also reference certain non-GAAP financial measures today. Reconciliations to the most directly comparable GAAP measures are included in our earnings release and will be available on our website.

And with that, Mark, I will turn the call over to you.

Mark Vorsatz

Thanks, Bill. Good day to everybody. This is Mark Vorsatz. I'm going to keep my comments real short, and then I'm going to turn it over to Neal to talk about our guidance for the balance of the year. First of all, I want to thank the investors who have been along with us on this ride, and we definitely appreciate the support. I also want to thank our partners and our people.

We had a very solid first quarter. Greg has circulated a little bit ago, the release on our earnings. Our revenue came in at a little under \$241 million. That was an increase of 15.7%. That does not include any inorganic growth on the acquisitions that we have completed. That was about 4.5% better than what we had included in the projections that we had provided to the analysts.

The financial performance was broad-based. If you look at the 10-Q, you'll see that we were up across all four major areas of our tax service lines. All were up more than double digits, each at least 12% in growth. An important statistic I want to highlight, and we'll talk about this more on future calls, is revenue per professional.

For me, that's probably the number one metric that I focus on. We had excellent growth in that area in the first quarter, at 12.7%, a combination of some moderate improvement in productivity and also moderate improvement in pricing. A little bit of that as we're edging forward is on the technology side, and we're making very good progress in that area.

On the adjusted EBITDA numbers, we came in at around \$72.3 million. That was an increase of 26.4% over first quarter last year. And the adjusted EBITDA number, the margin was 30%. That includes about a \$7.4 million loss in global mobility and consulting. We are starting to get more traction in those areas, but as we had anticipated, we're going to lose money in both of those practices this year. That's part of our continued investment in expansion. Without that loss, our adjusted EBITDA number would have been 33%. So I think very strong across the board.

Those are my comments on our financials for the first quarter, and I'm going to turn it over to Neal, and he can fill in some additional detail, and he'll talk about guidance for the balance of the year.

Neal Livingston

Mark, thanks very much. Good afternoon, everyone, and thanks for joining us today. It's Neal Livingston here, Chief Financial Officer. This is our second earnings call as a public company, and we very much appreciate the ongoing interest from the analysts and investors alike. As Mark has noted, I will cover our financial performance for the most recent quarter in some detail and then provide updated guidance for the next quarter and also for the full year 2026.

So let me start with revenue. As Mark has noted, revenue for the first quarter '26 was \$240.7 million. That was an increase of \$32.7 million, equating to 15.7% growth over the same quarter last year. Also, as Mark noted, that exceeded the midpoint of the guidance that we had provided on our last earnings call, where you may recall, we indicated first quarter revenue of between \$230 million and \$235 million, so we exceeded that by approximately \$8.2 million.

Also, as Mark noted, revenue across all of our key service lines, private client services, business tax, alternative investment funds and valuation services all increased for the quarter. Our largest service line private client services reported strong revenue growth of 18.2% for the quarter, resulting in that service line representing approximately 51.2% of revenues, up from 50.1% in the same quarter of 2025.

Also pleasingly, and linking to Mark's comments about investment, revenue increased in both Andersen Consulting and Global Mobility, being our newer practice areas where we continue to invest in alignment with our expansion strategy. At a regional level, all of the three regions recorded increases in revenue, with the East region in particular, reporting strong revenue growth of 22.4% for the quarter. The growth was driven by a balanced mix of drivers with no large onetime or project-related items for the quarter. And just to reconfirm, there was no inorganic or M&A revenue recorded in the first quarter of 2026.

In terms of the underlying business drivers, the strong top line performance is driven by a number of factors. At a macro level, obviously, this very much linked to our business model and client selection criteria. At an operational level, I would note a couple of points. Firstly, that we continue to maintain favorable operating leverage, whereby annual revenue growth has consistently outpaced the growth in our core operating costs, highlighting platform scalability and opportunities for margin expansion.

We have continually demonstrated good pricing power, illustrated by revenue per hour, which increased 8%. And as Mark noted, revenue per professional, which increased 13% for the first quarter of '26 compared to the same quarter in '25. Also, while we're on pricing, the 3% tech charge that we shared previously, that was introduced for client contracts signed in the first quarter of 2026. I'd say that has met, if not exceeded our internal expectations, and it will provide

a meaningful source of incremental revenue for 2026, which will be reflected in the revised full year guidance I'll provide later on the call.

In terms of headcount, our capacity to support clients increased by 2.8% in the quarter, or 62 additional colleagues. That's in line with expectations for single-digit growth and enabling ongoing tight control of staffing costs. Within that, the ratio of managing directors to non-managing directors remained stable during the quarter. In terms of client groups, our active client groups increased 3.5% for the quarter, and the number of client engagements that we undertook for those client groups increased 2%, confirming the ongoing growth in demand for the firm's services.

Turning now to net income. So on a GAAP basis, our net income for the quarter was \$17.7 million, with a net income margin of 7.4%. That compares to net income of \$50.6 million and a net income margin of 24.3% for the same quarter of 2025. The reduction in net income and net income margin was primarily attributable to \$41.2 million of noncash equity-based compensation expense associated with the equity granted in connection with the IPO and the reorganization. These expenses did not exist in the first quarter of 2025 when the firm was still privately held.

In addition, interest expense increased \$6 million for the quarter. This is due to the related party notes issued as part of the IPO reorganization and transaction costs increased by \$2.6 million in the first quarter as compared to the previous year in support of the firm's ongoing inorganic expansion plans. This equated to net income per share EPS of \$0.04 on a basic and \$0.03 on a diluted basis.

Let me pivot now to the non-GAAP measures. And again, comparing to the first quarter of 2025, our adjusted net income was \$62.9 million compared to \$55.2 million for 2025, an increase of approximately 14%. The adjusted net income margin was 26.1% compared to 26.5% in 2025. Looking at adjusted EBITDA, the adjusted EBITDA for the first quarter of 2026 was \$72.3 million, as Mark noted. That compares to \$57.2 million for 2025, an increase of 26%. This, again, exceeded the midpoint of the guidance provided on our last earnings call, where we indicated adjusted EBITDA between \$55 million and \$60 million, so we exceeded that by approximately \$15 million or 26%.

The adjusted EBITDA margin for Q1 was 30%. That compares to 27.5% in the prior year. Again, that exceeded the midpoint of the guidance provided where we had indicated an EBITDA margin between 25% to 26%, so a healthy 4.5% or 450 basis points excess.

I'll briefly cover costs, balance sheet and cash flow. Cost of services increased by approximately 41% for the first quarter. SG&A increased approximately 36% in the first quarter. The majority of these increases was, again, attributable to the \$41 million of noncash equity-based compensation expense that I mentioned previously, which did not occur in the first quarter of 2025. As a reminder, these equity-based compensation charges are noncash and nondilutive, as no incremental equity was issued as part of these awards.

In terms of the firm's balance sheet, the balance sheet remains liquid and provides significant flexibility to support growth. As of March 31st, 2026, our current assets comprised cash and cash equivalents of approximately \$207 million and accounts receivable, including both billed and unbilled services, net of allowances for credit losses of approximately \$214 million.

On the short-term liability side of the balance sheet, we had accrued payroll and benefits of approximately \$50 million and distributions and short-term notes payable of approximately \$85 million. At the end of the quarter, the firm had no third-party debt and we continue to maintain a conservative start towards the use of financial leverage. We believe that our existing cash and cash equivalents, the cash flow from operations and the net proceeds from the IPO remain sufficient to meet our working capital investment and other general corporate funding requirements, for the foreseeable future.

I'll pivot now towards the outlook and forward guidance. We are going at some pace here, hopefully leaving time for questions. But looking ahead, we are providing updated guidance on today's call, which obviously reflects our current best judgment. For the second quarter of 2026, we are expecting revenue in the range of \$190 million to \$205 million, equating to a growth of approximately 13%. We are anticipating a net loss for the quarter and negative EPS. That is due to seasonality and principally the aforementioned noncash equity-based compensation expenses.

Looking to the full year, we currently expect revenue in the range of \$980 million to \$1 billion, equating to a growth rate of approximately 18%. We are anticipating positive net income and EPS for the full year. We expect adjusted EBITDA in the range of \$225 million to \$250 million, with an adjusted EBITDA margin in the range of 23% to 25%.

As we've announced separately, the firm has closed several acquisitions in the second quarter, approximately one quarter ahead of schedule. Based on this and the additional acquisitions, the business combinations in the pipeline, we are raising our full year inorganic revenue guidance from \$33 million to \$55 million. This is included in the full year numbers, which I mentioned previously. We'll be updating the impact of closed acquisitions and business combinations on both our GAAP and non-GAAP financial metrics in conjunction with our second quarter financial results.

A final point which is on seasonality, just as a reminder to everybody, our business is seasonal with a significant share of full year revenue and net income historically generated in the third quarter. This creates some uncertainty in projecting full year results, which is reflected in our updated guidance. As before, our guidance is based on multiple assumptions, including macroeconomic conditions, levels of client demand, staffing, investment, the impact of AI, integration of acquired firms and so forth. These assumptions are, of course, dynamic and subject to change.

In closing, I'd say, on behalf of the team, we are extremely proud to announce a back-to-back set of quarterly financial results that exceeds our previously issued guidance and the base case projections published by most of the analysts who cover our stock. Moreover, these financial results provide a solid foundation for ongoing value creation over the medium-term.

So thank you very much for listening, and with that, we'll be happy to take any questions, or Mark, if you'd like to make any summary comments.

Mark Vorsatz

No, that's fine. We'll go to questions.

Operator

Thank you. At this time, we will conduct our Q&A session. To get through as many questions as we can in the time remaining, please limit yourselves to one question and one follow up question. To ask a question, press star, one, on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two, if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

And your first question comes from Mark Marcon with Baird. Please state your question.

Mark Marcon

Hi. Good afternoon, and congratulations on the strong results, Mark and the whole team. I was wondering, can you talk a little bit about, you had very strong growth in Private Client Services, to what extent are you already starting to feel the impact of all of the various initiatives that we're reading about, whether it's in California with the potential billionaire tax, New York in terms of various proposals to raise taxes, even more moderate states like Virginia or Washington that are now proposing increased taxes? What are you seeing at this point? Where do you think we are in terms of potentially leveraging some of those dynamics?

Mark Vorsatz

Yeah. I don't think, Mark, those are baked into the numbers for the first quarter at all. I would say, a lot of people are evaluating alternatives. I'll use the Washington state tax as an example. For those that are not familiar with it, the governor had signed legislation on March 31st, to create an income tax for anyone who makes over \$1 million, at a 9.9% tax rate. Literally within two weeks of the signing of that legislation, litigation was filed on the basis that it's unconstitutional.

This is going to play out for a while. I think a lot of people are evaluating how to deal with these things. We certainly have had discussions with a number of clients about it. Although we have had some clients, particularly in California, that decided last year to relocate, we're really expecting that to the extent that these types of legislative backs pass, a lot of that work is going to be in the future. So I wouldn't say that's a material amount of our revenue.

I'd say, the bigger issue on the PCS practice is, we continue to add more clients, and larger clients. So I think that's -- I mean, just this morning, I had a discussion with a client that is worth several billion dollars. I'm going to put a younger partner on the job with me to do most of the real work, but we're seeing more and more of those kind of opportunities.

And I would say the second thing, and it's just really at a very early stage, is we're doing a little bit better on the integration side. So if you looked at our valuation performance in the first quarter was 17.3% growth rate just behind PCS, most of that work is internal feed. It's internal referrals. So I think on the integration side, we're making some moderate progress. We have a lot more to do. What's exciting to me about the financial results we announced today is that we have a lot of room for improvement.

Mark Marcon

That's fantastic. And then you mentioned the pricing and the revenue per hour being up nicely. Did the January price increase go through as you expected?

Mark Vorsatz

Yeah, I think pretty much. I mean, on the pricing side, we're coming in about where we had anticipated. I would say, I think for the balance of the year, we'll see a much greater lift will be on the productivity side. I can tell you that we really have started getting some benefit of that starting around the end of February, but it's carrying through. And so as I commented on the last call, I'm very excited. We're doing fine. These are solid numbers, but we have a lot of room for improvement.

And keep in mind, these are just pure organic growth numbers. We will continue to have a lot of conversations with groups about joining us. We did sign a deal yesterday with Switzerland, so we've now closed eight deals in the last 10 weeks. I'm not going to suggest that that is an indicator of future activity. A lot of these transactions take quite a long time to put to a conclusion. But I will say that we expect in a systematic fashion, that we'll be continuing to add groups in key markets.

What's particularly important about that is the managing partner of that practice co-manages Europe. And as I indicated on the last call, similar with our practice in Nigeria, similar with our practice at Uruguay, we're focused on adding groups that have a significant role in the management of our Swiss Verein. So as we add more practices, we've got the management already put in place.

Mark Marcon

That's fantastic. And just with regards to the guidance, the second quarter I fully recognized is seasonally slower. Do you have any of the acquisitions built in for the second quarter? And then the full year guidance basically anticipates a fairly significant acceleration. How should we think

about that? What's being layered in? What are the key drivers for the acceleration for the full year? Thank you.

Mark Vorsatz

Well, I would say that, first of all, we have some very modest revenue included in the second quarter numbers. It's a little less than \$7 million. So when we've announced deals, most of the deals -- any of the deals that we announced after May 1, will not close until July 1st. So that revenue won't be until the second half of the year. So as Neal indicated, what we had previously given the analyst was \$33 million of actual revenue for 2026, from acquisitions. We've now increased that to \$55 million. That's not an annualized number; that's the revenue that we expect on those deals will hit our financials this year. That is primarily almost exclusively in the second half of the year. Ergo, we anticipate this will continue to go up.

One other thing I would mention, because I expect we'll get a question on this. We just started the implementation of our artificial intelligence -- I'll call it technology plan, on Friday. As I mentioned on the prior call, we are still doing two more pilots with the University of San Francisco. One is in process in May. It started yesterday; the other is in June. But we actually started the rollout of our internal training.

We're doing it in increments of 500 people. And that started on Friday, which I participated in. That is something that we expect over time is going to increase our efficiency. Some of that efficiency will go to our clients. Some of it will go to us. But we do anticipate that that number of revenue per professional, pay attention to that each quarter because that's the number one factor I look at, we anticipate that's going to continue to increase at a healthy pace.

Mark Marcon

That's fantastic. If I can squeeze --

Mark Vorsatz

Thanks, Mark. Mark, do you mind if -- yeah, could you hold that till the --

Mark Marcon

Great. Thank you. No, not at all.

Mark Vorsatz

Great. Thank you. Next question, please.

Operator

Your next question comes from Faiza Alwy with Deutsche Bank. Please state your question.

Faiza Alwy

Yes. Hi. Thank you so much. I wanted to follow up on the M&A transactions that you've done so far. Could you comment on the structure of the deals? I know that you're not making upfront

payments as you're completing these acquisitions. But it was interesting to me that your EBITDA margin guide is above where it was last quarter. And so I'm curious to see if that's more related to underlying margin expansion organically or if these deals are actually margin accretive?

Mark Vorsatz

So all the margin expansion for the first quarter is 100% organic because there is no revenue in the first quarter from any of the acquisitions. So what I've kind of agreed, conceptually with Neal, is any transaction that is done in the quarter will be closed on the first of the beginning of the following quarter. So most of the transactions that we've closed won't hit the numbers until the second quarter, and again, they're fairly modest.

I will tell you, from a conceptual standpoint, we are focusing on adding quality platforms where we have a relationship. So Paolo Mondia, who's the managing partner of Switzerland, co-manages Europe. Paolo has been with us for 12 years, and they've used the brand during that period of time. This was an easy thing for us. A lot of legal work, a lot of paperwork. We've got separate law firms in each country working on this. We have quite a few conversations going, so it takes a lot of time, but none of that's in our numbers.

In each deal, there'll be some level of transition costs. So we expect that margins on the acquisition component may slide a little bit in the short-term, simply because we've got to get groups integrated. That just takes time. This is no different than if we hire a lateral partner in the United States; we go through those issues. But all of the growth in EBITDA and the margin is purely organic. I think we're doing a little bit better in how we're running the firm.

Faiza Alwy

Great. That's very helpful. And then, Mark, could you comment a bit more on the pipeline? Sort of, I know this is part of your strategic plan, and I'm curious, as you've become a public company, sort of is the pipeline in line with your expectations? Kind of what has been the feedback with potential companies that you might acquire outside the US?

Mark Vorsatz

I'm not going to get into specifics, and I'm not going to speculate on how many or revenue or those factors, but I will say this, our biggest challenge right now is execution. We are adding another full-time attorney in the transaction group. That will give us three full-time maturities in the transaction group. In addition to that, I've spoken with Bill Deckelman, and Oscar Alcantara in the legal department, who both can spend time swinging in that area. Oscar has worked with me on the expansion for the last eight or nine years.

We also just hired two more people in the financial group for the acquisition team. So that will give us now three full-time lawyers and four full-time people on the financial side. We do not lack opportunity; it's just a question of how fast can we manage the opportunities. And in each deal, there are some components of it that we have to negotiate economics and negotiate specific terms.

It will be easier for us to replicate transactions in countries where we do a deal. For example, let's say, we do a deal in South Africa. We have four or five other opportunities in South Africa of parties that are interested in moving forward. The time it takes is to build that prototype for that country. Once we have the prototype built, those subsequent transactions can be done in probably 90 to 120 days.

So I would say, as a practical matter, while we'll be a little slow out of the box this year on a relative basis for us, I do think that what we'll see is in 2027, as we have more resources, and we've built this model, that we'll have plenty of opportunity to continue to add groups. Keep in mind, many of these groups are groups that have been with us for a long time. And in total, we had over 400 groups between consulting in the United States and other practices, consulting, legal, tax, etc., outside the United States.

Faiza Alwy

Great. Thank you, Mark.

Operator

Thank you. And your next question comes from Toni Kaplan with Morgan Stanley. Please state your question.

Toni Kaplan

Thanks so much. Nice job on the quarter. Given AI increasing efficiency, I was hoping you could talk about if you're thinking about changing from a rate per hour to a different monetization model and what potential options you'd consider. And if you are talking to clients about that, their receptivity to that, because I know you, I think, want to maybe move to a per value type of model. So maybe you could just talk about what's going on with that.

Mark Vorsatz

So I would say, Toni, there are going to be components of both time and materials and components of an increasing amount on fixed fees. So I'll give you an example. We like to consider our self a relationship firm, not a commodity firm. Most of the services that we provide, we believe, are relationship driven. An example I had on a different client this morning is, we have a family group that is looking at diversifying their asset base, and that is an opportunity for them to sell a portfolio of real estate that has a gross value of about \$2 billion.

I have another client that has some substantial investors in Japan, and those substantial investors may be interested in the opportunity to acquire a portfolio like that. So with the second group, I set up a call on Friday with the principle to explore a discussion. Well, obviously, if we're able to bring that transaction to a conclusion, that lends itself to a value fee.

There are some components of that where technology will be very helpful in making the delivery of our service more efficient.

But the reason we had that opportunity is I had relationships with two different groups that we do continuing work on and those relationships are pretty extensive, and that's just an illustration of what we do in our practice. That's different, and I don't mean in a disrespectful way, to other types of firms. We're not providing an audit because a client has a covenant with a lending institution. And typically, those clients don't necessarily assign a lot of value to that.

So as I've said on a number of occasions, one of the advantages and what drives our pricing, there are really a multitude of things, but the two that stick out the most, one is our client selection; the second are the types of services that we focus on. And more where we can use technology to increase the value that we can provide, those types of engagements will lend themselves to fixed fees. But some work for that client, we may bill time and materials, some we'll do fixed fee. This is part of an internal training that we're going to go through with all 2,000 of our line people.

So we started on Friday with the first 500. We all have separate case studies to do. One is technical; one is not technical. We're going to build those skills. It isn't going to happen tomorrow. It isn't going to happen next week. It will happen over time, but we do see a much, much higher yield and we also see a much better delivery system for our clients and bringing them more cost-effective value services.

Toni Kaplan

That's terrific. And I guess my follow-up is exactly on that topic. Are there any sort of targets or milestones that we should be thinking of in terms of what you're hoping to accomplish with that technology program? I know you talked about increased yield, etc., but anything we should be aware of and be able to sort of understand the timing and implication of how much of an impact you should get from it? Thanks.

Mark Vorsatz

I would just say, it's a little premature to be in a position to give you information on that. And even if I could, I probably wouldn't because that gets into projections on things that I don't think today we are prepared to do. What I will say is I anticipate our continued focus on areas of improvement. Sometimes people say to me, they're a little surprised at our margins, and they're probably more surprised that I think we have an ability to improve our business. It's all about execution. Execution, integration, providing great client service in areas that they value, we think that's the secret to improving our profitability.

Toni Kaplan

Thank you.

Operator

Your next question comes from Tobey Sommer with Truist Securities. Please state your question.

Tobey Sommer

Thank you. As you look at the opportunity for acquisitions over time, how big an opportunity do you see to reassemble and sort of assimilate these partner firms over the next two or three years? And has that changed since we were leading up to the IPO around six months or so ago?

Mark Vorsatz

Tobey, I would say that what we have stopped is we're not soliciting new groups, although we're still adding. You guys may get announcements from us on new collaborating relationships. That collaboration process is a great form of due diligence. We typically had at least two or three years of a collaborating relationship. We're not proactively seeking those because we have currently about 436 groups, OK?

Now, not all of those are going to make sense to merge into the public company, either because they're too small or they're in markets that aren't appropriate for us as a public company. We do need the footprint, so we want to maintain those relationships, but we see this as a -- we have an existing pipeline that if I had 100% capacity, I could spend the next three years just working on deals with people that we already have a relationship with.

So as I indicated, it's not a lack of opportunity, it's just a question of, we have to manage this in a deliberative, thoughtful way that is profitable for us. I have some conversations going with a very large firm outside the United States. And what I basically suggested to them, that I wouldn't consider a deal with them at this point because they need to improve their profitability too much before we would entertain that. And we have a plan with them that I'm working on and I'm hoping to visit them in June. They would be a terrific addition and bring in an area of geography where we would have a major presence.

But we're going to be very deliberative about this. We're going to be very responsible financially. I think Tobey, when we talked with this group, I've explained to you that I'm pretty conservative. We drew on our operating line on time in the first quarter of 2008. When we paid off our MBO debt about 10 or 12 years ago, we've never borrowed any money. We're being very financially responsible, and we're going to do this with the acquisitions.

Tobey Sommer

Thank you. And I was wondering if you could comment a bit more on the growth and arc of profitability within Global Mobility and consulting? As you see it now, sort of when does the profitability start to close its gap and start inching towards breakeven and eventual positives?

Mark Vorsatz

I think second half of this year in both, we see a big pickup in revenue. We're still investing in head count because we think we can grow the practice. I would like to lose money on a more moderate basis, but I don't want to sacrifice growth for immediate profitability because we have to build out an infrastructure for those practices.

I would say, as between the two, it's more likely that consulting could be in the back second half of next year. Global Mobility, I would say, probably 2028 is educated guess work. We're still working on building out the platform in Global Mobility. With respect to consulting, at this juncture, it's a question more of executing on implementing the integration of practices. And you will see that we will add practices in consulting in the third quarter. We have a number of conversations going with consulting groups, primarily, initially in the United States, because from a pure integration standpoint, those are going to be much easier for us to execute.

Tobey Sommer

Thank you very much.

Operator

Thank you. And your next question comes from Kevin McVeigh with UBS. Please state your question.

Kevin McVeigh

Great. Thanks so much, and congratulations on the results. Mark, I think you had mentioned the rate per hour increased 8%, but the growth of the professionals was 13%. Help us understand the delta, the 8% to 13%. And it sounds like you're relatively new in terms of the phasing of AI, so is there any way to think about what that 13% can become over time as it becomes more embedded in the organization.

Mark Vorsatz

Yeah. I would say, Kevin, it's a little bit tough to estimate specifics. I haven't taken out pen and paper and crank through the numbers, and I haven't asked anybody else to do that. I will say this, we have a lot of room for improvement. And I discussed on the last call, Dan DePaoli has taken on the responsibility. We run as a team. Nobody worries about titles or what position they play. Everybody just wants to make a contribution. Dan is a terrific partner. Dan has taken on the productivity responsibility. We think that we'll move productivity on a systematic basis this year.

We are going to set aside each quarter, which is in our numbers, we set aside a \$1 million bonus for our non-partners, and we will continue to do that in a responsible way. I want to see all the investors make a lot of money, but we're only going to make a lot of money if our people have an opportunity both professionally and financially. So we're going to balance those things. We're going to balance the growth in the global mobility and consulting area with profitability.

As I indicated on our last call, last year, we were up 48% in net income at a traditional price earnings basis. On a pro forma basis, if we excluded consulting, and global mobility, that would have been 64%. To me, that is a very good way to balance growth with profitability. I don't think any business would mind growing their net income 48%, but we also have to expand, and we have to invest in our people. Ergo, we're going to see some modest volatility in productivity because of the artificial intelligence training. We have to invest in our people, and we have to build their skill set so that we can continue to perform very strong in the future.

Kevin McVeigh

No, that's helpful. And then, Mark, I think you had mentioned that, if I interpret it right, that the source of the upside was greater client wins. I wonder, where are those clients coming from? And is it constant rhetoric from the governments around taxes and things like that, that's driving that, or is it the public structuring now or just scale? Because, obviously, the numbers are terrific, but when you think about where you're sourcing those clients from, maybe we can understand that a little bit more.

Mark Vorsatz

Yeah, I would just say it's the quality of our services, OK? I don't think any of the noise around wealth taxes or anything else right now has really been much of a catalyst to our business. The call that myself and a younger partner had today was somebody who was referred to me by a law firm. And they have an inflated view of my capabilities. I'm not going to try to dissuade them from that. I'm going to try to demonstrate that they're making a good decision.

I would say, more often than not, our partners get work because we focus on trying to provide great service to clients, and we try to focus also on those opportunities that create the greatest value to clients. So I would say, it's not really any one thing. It's a combination of things. Where I think we can get a geometric multiplier is going to be on the integration of services. We're already starting to see traction with the groups that are affiliated with us in consulting in the United States, and we're building on that. And that brings another dimension of capabilities to the relationship. We think that's a huge factor in the opportunity for growth for our business.

Kevin McVeigh

Thank you.

Operator

Your next question comes from Jason Haas with Wells Fargo. Please state your question.

Unknown (Wells Fargo)

Hi. This is [inaudible] on for Jason Haas. Relative to your own projections that you gave back in 4Q, for 1Q, where did you outperform the most at a segment level? And then excluding the change in inorganic revenue, you only increased the full year revenue guide by \$5.5 million at the midpoint, so why not flow through more of the beat there?

Mark Vorsatz

I would say, (Wells Fargo), that is a question that Neal probably should comment on. I would say, we tend to be conservative. I would say, the area that probably surprised me the most in the first quarter, the two areas were both PCS and valuation. 18.2% growth rate in PCS is probably a little higher than I would have anticipated. And valuation, there are some projects that we're getting that I think we're executing better on integration, and so those two numbers surprised me. My

surprise, we came in at 15.7%, 14.6%, 15%, 15.7%, 13.3%, 17%. I expect we're going to be somewhere in those ranges.

Neal, do you want to comment?

Neal Livingston

Yeah, I think that's right, Mark. Those are the areas where we've had sort of outperformance, if you will, or where we've kind of raised the profile at a service line level. But if you look across the business from an organic perspective, just putting aside inorganic for now, you'll see that, pretty much, our numbers have been taken up across the board. So I wouldn't say there's any one specific service line or region or area of the business, but we're taking the overall organic up considerably, about 2.5% from where we were in the original projection. So we think that's a meaningful increase.

Unknown (Wells Fargo)

Got it. And then, your client group count growth was 3.5% in the first quarter. It seems a bit lower than historical growth rates. Curious if that was in line with your expectations? And then given the revenue outperformance, it sounds like maybe you guys are winning some larger clients, so curious if there's a shift in your strategic focus and your go-to-market?

Mark Vorsatz

I would say the biggest issue is our client penetration. And by that, I mean we are doing more things for clients. And as we build more dimensions of the business, I think that will be a big factor. Neal, you want to comment?

Neal Livingston

No, I agree with that, Mark. I would say, the previous numbers that we've shared in terms of client group growth and engagement growth were very strong. And bear in mind, what we are measuring here is active clients on the platform for the time period that's under measurement. So if you're looking just for the quarter, we're comparing Q1 with Q1 and which clients that are actually active on the platform. When you look across the full financial year, you'll get a different readout. And the underlying point here to mention is that seasonality in the business. So we don't think those numbers are unusual. In fact, we're very pleased to see both the engagement and the client group numbers grow because that gives us that tailwind.

Operator

Thank you. And your next question comes from Andrew Nicholas with William Blair. Please state your question.

Andrew Nicholas

Hi. Good afternoon. Mark, the first question I wanted to ask was just on the M&A strategy. You've mentioned both this quarter and last quarter about all the different things that you're kind of contemplating as you kind of line people up in the pipeline. Is there a way for us to think about

kind of the prioritization of targets here? Is it about the leadership and involvement with the Swiss Verein? Is it specific types of work, consulting versus tax versus legal, geography? Profitability, I think, was another metric that you're looking at. So just kind of curious how you stack them up, because it doesn't sound like there's a shortage of opportunity, so just trying to figure out how you prioritize within that group.

Mark Vorsatz

Sure. So number one, I think you'll see us continue to add practices that have existing management for our group. OK? So we are in discussions with several other firms who provide existing management to regions. I would say, second of all, you'll probably see this year a concentration in Europe. Our practice in Asia is relatively immature because that's the last practice -- last region that we started building out. And so I'm hoping that as we get enough of a tube, because I spend time with our acquisition team on every deal, I'm hoping that as we get enough structure in place on this, I can move to some of those groups that are not part of the Swiss Verein who have an interest.

And also, I've started some conversations with a couple of larger groups that are completely unaffiliated from the firm. In fact, I'm going to be in the East Coast in June, having a very preliminary conversation with one of those groups. For the most part, I'm not interested in pursuing practices that are fully mature. The ideal practice, for me, is one where we have an existing platform but it's much more cost effective for us to expand that platform than to buy a practice that's very mature.

So sometimes people can look at deals and say, why would you be interested in a practice that has 20 people, and I can say, because I know where the next 300 people are coming from. And it's going to be much easier for me to get to 400 people and much more cost-effective for me to do that, than to go out and buy a practice that's got 400 people. And that practice that I'm describing has a lot more upside, and that's a real fact pattern that I'm working on right now. That is one country in particular, where we actually have a practice that has 22 people, and there are five other groups that we have a verbal agreement with to go forward. And it's not inconceivable we will get all six of those deals done in one country this year. That will give us a very significant position in that market.

So I would say, I'm looking at where we can replicate opportunities by adding other complementary practices. Uruguay [ph] is a good example. We added a tax practice. We also had a legal practice. Those are both very strong businesses run by Cecilia and Federico, and they've been with us for over eight years. We are now a very significant presence in a gateway to Latin America.

I could tell you that there are other countries where if we get one deal done, we'll get four deals done. So getting critical mass in the markets, Andrew, is something that's important to me, because when you start looking at the efficiencies of economies of scale, cross-selling, integration, you're going to drive your profitability.

Andrew Nicholas

Very helpful. Thank you. And then just for my follow-up, in the release this afternoon, you mentioned accelerating momentum in Andersen Consulting. Can you just flesh that out a little bit more where you're seeing success, how head count growth looks and your ambitions near term there? Thanks, Mark.

Mark Vorsatz

Yeah. I would say, the greatest penetration we're getting is in the United States because it's easier, because we've got a significant presence in the United States. We actually have 22 affiliates -- no, 24 affiliates in the United States in consulting. We have active conversations going with six of those groups. That would provide us a very good initial platform and would be the first steps in the process. And I would say, those groups are already reasonably integrated into the firm, but we have a lot of improvement to do there.

So I would say, on the consulting side, we're going to probably start with the United States. And from a revenue standpoint, it's by far the biggest market. It also is the most profitable market. That doesn't mean that we aren't focused on the other areas. There are three other countries in Europe where I have suggested to our consulting leadership. I have given them a list where we have eight or nine affiliates in each of those three countries. And those three countries, in consulting, will be high priorities probably around the fourth quarter of this year.

So Andrew, I have, literally, my own back of the envelope plan that I don't share widely. I have a plan with conversations which go all the way through the third quarter of next year. That doesn't mean we're going to close all those deals, but we have a known pipeline of firms that would give us plenty to do for the next 18 months in terms of implementation.

Andrew Nicholas

Great. Thank you.

Operator

Thank you. And that's all the questions we have today. I'll hand it back to Mark Vorsatz for closing remarks.

Mark Vorsatz

I just want to thank everybody for taking the time. I know how busy people's schedules are. I am actually in Maui right now. And we had an event in Hawaii on Thursday with our think tank. And we did a think tank Board meeting on Wednesday and we had a PubCo Board meeting on Friday. And when I surveyed everybody about whether that was a good venue, I had unanimity that everybody would like to do an annual Board meeting in Hawaii. I'm limiting it to one. But I'm going home tomorrow. And I always keep myself busy wherever I am. My wife is very supportive

and she's part of the team. So thank you all for taking the time out of your busy schedules to share the time with us. Thanks, everybody.

Operator

Thank you. And that concludes today's call. All parties may disconnect. Have a good day.