Andersen Group
Third Quarter Earnings Conference Call
November 12, 2026

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-Q for our third quarter of 2026. 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
Greg Vistica, Head of Investor Relations
Mark Vorsatz, Chairman and CEO
Neal Livingston, CFO
Bill Deckelman, Chief Legal Officer

Q&A Participants
Mark Marcon - Robert W. Baird
Kevin McVeigh - UBS Investment Bank
Faiza Alwy - Deutsche Bank
Tobey Sommer - Truist Securities, Inc.
Andrew Nicholas - William Blair
Toni Kaplan - Morgan Stanley
Jason Haas - Wells Fargo Securities
Jeff Silber - BMO Capital Markets

Operator
Greetings and welcome to the Q3 2026 Andersen Group 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, please press "*", "0" on your telephone keypad.

As a reminder, this conference is being recorded.

I'll now turn the conference over to Greg Vistica, Head of Investor Relations and Communications. Thank you, Greg. You may begin.

Greg Vistica
Thank you, Alicia. Good afternoon and welcome to Andersen's fourth earnings call as a public company. I am Greg Vistica, Head of Investor Relations and Communications. I want to thank our investors, the public, and the analysts that cover us for being on the call, for joining today.

Today, you will be hearing from Mark Vorsatz, Chairman and CEO of Andersen Group, and CFO Neal Livingston. But first, Bill Deckelman, Andersen's Chief Legal Officer, will discuss our disclaimer. Bill.

Bill Deckelman
Thank you, Greg. Before we begin, 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 SEC filings, including our 10-Q for our third quarter of 2026 filed this afternoon.

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. Mark, I will now turn it over to you.

Mark Vorsatz
Thanks, Bill. Before we get started, I've got a couple of shout-outs. Matt, who's a good friend who's a waiter at Westlake Joe's in Daly City, California, which is one of our favorite restaurants, is an investor, and I know he's on this earnings call and he follows all the analyst reports, so I want to say hi to Matt.

Number two, I've been traveling pretty much the last month or so because we're doing regional meetings this year. I did get to talk to our two granddaughters today. Maya just turned three since our last call and Lila just turned one, and Maya started preschool and she told me today that she had cheese and apples for snacks, and I know she's on this call so I wanted to say hi to her.

I'm going to keep my comments real brief. I'll give you a quick overview on the third quarter. I would say fairly consistent. I want to thank our partners and our people for another solid performance. Our revenue for the third quarter was about $337 million, which was about an 18.7% growth rate, or up about $53 million.

Year-to-date, we're at about $795 million, which is an increase of about $127 million, or about 19.1%. For the third quarter, our adjusted EBITDA was about $154 million, which was an increase of about $24 million, or 18.8%. And for the year-to-date, we're at about $277 million of adjusted EBITDA, or an increase of a little over $60 million, or an increase of about 27.8%.

Third-quarter numbers are pretty consistent in terms of our margin. It is our best quarter because a lot of our recurring work is done during that quarter. So our adjusted EBITDA margin for the quarter was 45.8%. Last year was about 45.7%. Year-to-date, we're at about 34.8% versus last year about 32.5%.

We had given guidance on the revenue side at $980 million to $1 billion. We're going to modify that slightly to $990 million to a billion and ten. Our adjusted EBITDA guidance was at $225 million to $250 million. We're going to increase that to $255 million to $275 million.

And for the year we expect the range in our revenue to be somewhere between about 18.1% to 20.5%. The margin's pretty consistent with what we did last year. Somewhere around high 25s to low 27s is what we're currently using for guidance.

As I indicated on the August call, we are going to give guidance for 2027. Our guidance on the revenue side for 2027, I hope all the analysts have their pencils out: $1.275 billion to $1.325 billion, or approximately about a 30% increase. Adjusted EBITDA guidance will be $320 million to about $340 million, so a range somewhere of an increase from about 25% to 33%.

I want to keep my comments brief because I want to give the analysts an opportunity to ask questions. I'm going to turn it over to Neal and he'll fill in a little more detail on the financial performance. He's also going to share with you our perspective on supplemental reporting. The first six deals that we did, the transaction costs on the earn-out are essentially all going to be treated as expense for accounting purposes.

So the first five years we're not going to show any adjusted EBITDA out of those transactions or a nominal amount. As we discussed it internally, we felt that didn't give the investors and the analysts accurate information and performance. So, Neal will also talk a little bit about what we've kind of agreed in terms of supplemental reporting.

And with that, I'll turn it over to Neal.

Neal Livingston
Mark, thanks very much. Good afternoon, everyone, and thanks again for joining us today. We appreciate the continuing support and interest in Andersen. So I'm going to try to cover, as per usual, some of the aspects of financial performance that Mark hasn't mentioned already, and I'll start, as usual, with revenue.

Mark did mention our 3Q and year-to-date revenue numbers. Let me just supplement that with the last 12 months, which was $966 million, up 19.2%. So whether you look on a third-quarter, year-to-date, or LTM basis, you're seeing consistent top-line growth for the company. These numbers all include inorganic revenue from acquisitions and business combinations.

What's pleasing is the diversification of that revenue. All of our service lines and geographic regions contributed to third-quarter revenue growth. And as we have reported previously, there were no large one-time revenue items in the third quarter.

Overall, we think that top-line performance demonstrates the consistency and strength of those two complementary growth engines that we've been discussing: solid organic revenue growth and acquisitions providing the additional revenue on top.

Obviously, as the acquired firms become more integrated into Andersen, we believe the combination of that organic and inorganic growth will become an increasingly important contributor to our long-term financial performance.

Let me pivot to some of our key operating metrics. As we've discussed on previous operating calls, we track a number of metrics, including revenue per hour and revenue per person. Revenue per hour measures the value realized from client work. That was up 8.6% for 3Q and also 8.6% on a year-to-date basis.

This includes the effect of the pricing initiatives that we discussed previously, notably, the 3% technology surcharge which applied to client contracts signed from the second quarter of 2026.

Revenue per person measures the value generated by our professionals on client work, and that was up 14.6% for 3Q and 13.1% on a year-to-date basis. So this obviously includes the impact of investments in technology and related productivity initiatives. So solid growth drivers and solid metrics supporting that organic growth. Just to be clear, those metrics that I just shared are on an organic basis only. That excludes the effects of acquisitions and business combinations. I'll come on to that in a second.

We ended the quarter with 2,930 employees, including 366 managing directors. That's up from 2,296 at year-end. And year-to-date, we've added, including inorganic, 2,800 client groups, that's a 24% increase, and 4,400 client engagements, that's a 21% increase. So hopefully, that gives everybody on the call a little bit of a sense of the underlying drivers and key metrics that are driving that top-line performance.

In terms of our GAAP net income results, net income for 3Q was $68 million. That compares to $111 million in the third quarter of 2025. There was a net loss attributable to the Andersen Group of $9 million, or negative $0.55 per basic and diluted share of Class A common stock. The net income attributable to the non-controlling interest was $76.9 million.

I would note the year-over-year comparison of our GAAP metrics is not like-for-like, and that's because the third quarter of 2025 obviously came before our IPO and the reorganization transactions that we undertook when the business previously operated as a partnership, without entity income tax and some of the equity-based compensation expense tied to our Class X aggregator units.

Within that net income, I would note income tax expense for 3Q was $31.6 million with an ETR, effective tax rate, of 31.8%.

On operating expense, operating expenses were $234.9 million for the third quarter, or 69.6% of revenue. That compares with 58.7% a year ago. The increase is primarily due to $40.4 million of non-cash equity-based compensation expense related to the vesting of our Class X aggregator units, which had no comparable expense in 2025.
As a reminder, these are accounting-driven charges that have no impact on cash flow or operations, and they're excluded from our non-GAAP metrics. So if we exclude those charges, our total operating expense was 57.7% of revenue, and that compares to 58.7% a year ago, which is a reduction of approximately 110 basis points, compared with 2025.

Let me pivot to non-GAAP measures. Mark mentioned our adjusted EBITDA margins. Adjusted EBITDA for 3Q was $154.5 million, so that's up 18.8% from 3Q 2025, and margin's 45.8%, as Mark previously noted. Mark covered the nine-month adjusted EBITDA, so I will mention briefly our LTM number, with adjusted EBITDA at $287.4 million, that is up 37.5% from the last 12 months ending September 2025, with an adjusted EBITDA margin of 29.7%, compared with 25.8% for 2025. That's an expansion of 3.9% or 390 basis points.

Let me discuss briefly our supplemental inorganic information. As Mark's noted, inorganic is an increasing part of our growth story, and for this reason, we've provided additional disclosures with our 10-Q filed today. The information that we disclosed is on a 12-month basis, and in that 12 months ended September 30, 2026, we completed a total of eight acquisitions, including Canada and Switzerland in the third quarter.

These eight transactions contributed $16.2 million of revenue. The annual acquired revenue, by which we mean the local currency revenue for the four quarters prior to completion translated into US dollars under GAAP, was $37.2 million. To be clear, this figure is not audited and is not comparable to revenue recognized in our consolidated results, but we hope gives everyone an idea of the size of the other businesses that are being acquired.

Our purchase multiple, which is calculated as GAAP purchase consideration divided by annual acquired revenue, was 0.67% for those eight transactions.

We treat a transaction as inorganic for 12 months after it closes. We do plan to present these disclosures going forward, although we do not plan to report an inorganic P&L separately or to adjust our non-GAAP metrics for inorganic activity other than stock-based compensation expense, which is standard practice.

Internally, we track margins on inorganic activity on a pro forma basis, by which we mean excluding the effects of GAAP acquisition accounting which, as Mark noted, varies by transaction. This provides consistency and comparability across transactions. On this basis, for

the eight inorganic transactions completed year-to-date, margins averaged 15% to 25% with negligible impact on our adjusted EBITDA margin for the last 12 months.

Margins on inorganic activity may start out below organic for a number of reasons. Firstly, acquired firms tend to be smaller with fewer organic economies of scale; integration synergies materialize over time; and certain consulting and other service lines have lower margins compared to the organic U.S. tax business. As such, we anticipate margins to improve as more transactions are completed and as integration efforts ramp up, over time.
I'll cover, briefly, our balance sheet and cash flow. The company continued to maintain a healthy balance sheet as of September 30. Cash and cash equivalents stood at $193.6 million. That compares with $250 million at year-end. Net working capital, measured as total current assets less current liabilities, was $301.5 million, compared with $216.2 million at year-end.

We had no borrowings under our $50 million asset-based revolving credit facility with JPMorgan Chase, which matures in June 2029, and just $1.5 million of standby letters of credit outstanding at quarter-end. Other debt on the balance sheet consists of $287.7 million of notes issued in conjunction with the IPO, down from $350 million at year-end. As a reminder, these are subordinated amortizing related-party obligations, not third-party borrowings.

Net cash provided by operating activities was $142.8 million for the nine months for year-to-date, that's up from $101.9 million in 2025, or a 40% increase.

Capitalization and our Q3 secondary offering. As I'm sure everyone is well aware, in August, our selling stockholders completed an underwritten secondary offering of 4.9 million shares of Class A common stock. Andersen did not sell any shares and did not receive any proceeds as part of this offering. The offering reduced the non-controlling interest in AT Umbrella by approximately 4%, which increases the company's share of AT Umbrella's earnings.

The exchange also increased the tax basis of AT Umbrella's assets. We recorded a deferred tax asset of $87.5 million and a tax receivable agreement liability of $74.4 million, equal to 85% of expected cash tax savings with the 15% difference booked to equity. As of September 30, no TR payments had been made.

As of September 30, the company had approximately 16.2 million of Class A common stock outstanding on a weighted-average basis, and this is what was used to calculate the earnings per share on a basic and diluted basis.

In addition, there was approximately 92.7 million Class X units, 5 million restricted stock units, and 1.6 million LTIP units outstanding. These securities were excluded from the calculation of diluted earnings per share, both for the quarter and year-to-date because including them would have been anti-dilutive.

We continue to evaluate further secondary offerings to increase the public float and to provide our partners with opportunities to diversify their holdings. As I'm sure you would all expect, this will be done in a controlled and orderly manner, consistent with the aggregate and individual annual redemption limits prescribed in our agreements.

Mark has already covered our guidance, so I'm not going to repeat that, but briefly in closing, our third-quarter results, we hope you will agree, reinforces our confidence in Andersen's growth strategy. We continue to generate strong organic revenue growth, substantial profitability, and to expand our capabilities through disciplined acquisitions. Thank you very much for listening.

Mark, it's back to you for a wrap-up.

Mark Vorsatz
Okay, I don't really have any other comments, Neal. Thanks very much for the detail on all that. I hope it's very helpful to the analysts and the investors. Greg, how about if we take some questions?

Greg Vistica
Sounds good. If we could start off with one question per person, and if there's time for follow-up afterwards, we'll then take more questions. Mark Marcon, do you want to start us off?

Mark Marcon
Thanks for taking my questions and congratulations on the strong quarter. I was wondering if you could talk just a little bit about the acquisition path. You've made some acquisitions that were Andersen related. You've made some that are, you know, companies that weren't Andersen branded. Can you just talk a little bit about philosophically how you're looking at the non-Andersen branded acquisitions and what the integration plan is for those?

And secondly and relatedly, can you discuss in terms of the guidance for 2027 that you mentioned, how much of that is inorganic, and are any additional acquisitions that have not yet been completed, are included or not included in that guidance? Thank you.

Mark Vorsatz
Let me answer the second question first, which is we've included those transactions that we've closed as well as those transactions that we've signed and some additional, a handful of additional transactions that we think will either close by the end of this year or early in the first quarter. When we had the call in August, I said that I thought between now and the end of the year, we'd sign another eight to ten deals. We've signed eight, to date. We do have an expectation that we'll sign additional deals, before the end of the year.

Whether someone was branded as Andersen in a member firm or whether they were just a collaborating firm, they still participated in our global affiliate organization on a very similar

basis. We didn't have any financial arrangement, they weren't part of the Swiss Verein, but I would say the vast majority of our partners wouldn't know who was a collaborating firm or who was a member firm.

Every other year, we do regional meetings. So in the first week of October, and I usually do the kickoff, we had a meeting in Singapore for Asia, Central Asia, and the Middle East. The next week we had a meeting in Barcelona for consulting. The following week we had a meeting in Athens for Europe and the Middle East. Earlier this week, we had a meeting in Atlanta for North America, and I'm leaving on Saturday because we start some internal discussions and have a meeting in Cancun for Latin America. Those include all partners, whether they're part of a member firm or whether they are part of just a collaborating firm.

I've taken the opportunity at these meetings to have individual meetings with firms that have expressed interest in the possibility of joining us. To give you some idea of the activity level, for the month of October, I met with in person 41 firms.

So we have quite a bit of interest. We have increased the resources that we have on the acquisition team. So Ed Prokop who works with me on that – Ed has 20 years' experience at Sidley Austin and Winston & Strawn doing acquisitions. Tatum Sornborger has been involved from the beginning of the acquisitions. She's also a lawyer. Nick Roen, who congratulations Nick, just got promoted to partner, which will be effective in January, has been heading due diligence.

Because of the level of activity we've had, we hired another lawyer in July, Angelina Ditta. Also, Oscar Alcantara, who has worked with me in our legal department on most of our affiliates, the agreements both of the Swiss Verein and with respect to the member firm, is now hopefully going to spend about 50% of his time on transactions, and we're in the process of hiring another full-time lawyer. So that will give us about the equivalent of about four and a half full-time lawyers working on the transactions.

Ryan Guthrie, who heads our due diligence practice, I met with Ryan on Monday in Atlanta, and Ryan is also going to spend some time on this. We have about four or five people on the due diligence team on the financial matters. We leverage off of our U.S. M&A practice on the technical side, of which we have about 60 people that work in that area. We also leverage off of our cross-border practice.

So in our release that Greg sent out on Tuesday, we've now signed 24 deals so far since March. We would expect those that have not closed yet, we've closed 16. We think the other eight will close no later than the end of the first quarter. But I would say we're not lacking interest in the marketplace. Even the collaborating firms that have joined us have been with us probably for at least three years.

The other thing, Mark, that I've been doing strategically is we signed and closed the deal in Switzerland. Paolo Mondia co-manages Europe. We have signed a deal in Italy, which we should close in the first quarter. Andrea De Vecchi co-manages Europe with Paolo. We have signed a deal in the UK and closed the deal in the UK. Paul Finlan has oversight of UK, Scandinavia and the Netherlands.

We're advancing conversations with our practice in Spain. José Vicente Morote, who's the co-managing partner of Spain and Portugal, is on our Swiss Verein Board. And as we indicated, we just signed a deal, I think it was last Friday, with Poland, and Marcin Matyka also is on our Swiss Verein Board. So the two members of our Swiss Verein Board, we either signed or are in discussions. We had the two co-managing partners from Europe who oversee Europe, the partner who has oversight for mostly Northern Europe. And then we are in discussions with our practice in Slovenia, and Katarina Kresal oversees the Balkans and CIS.

So part of the thought process here is you can't add all these people in if you don't have a management structure in place. We are essentially lifting out the existing management structure that we have in the firm. That's a strategic approach. The reason we did the deal in Nigeria is because Leah, who is the managing partner of our practice in Nigeria, co-manages Africa. One of the reasons we did the legal practice in Uruguay is because Juan Federico Fischer is on our Swiss Verein Board. So we are lifting out our management structure from our existing group and prioritizing those.

So, I hope that is helpful. And as Neal had indicated, we will be providing in the future more information on the range of EBITDA. But I think you hit the point well. We think in the first 12 to 18 months, some of those will be down a little bit. But we think in the intermediary time period that those practices will get the leverage of the organization and should generate EBITDA numbers that are similar or approach what we do in the U.S. on an organic basis. Thank you, Mark.

Greg Vistica
Hey Mark, let's move on to another question. Kevin McVeigh from UBS.

Kevin McVeigh
Thank you so much, Greg, and congratulations on the results. I guess just to follow up on that a little bit, is there any way to frame in '27 what the inorganic contribution is to revenue and then what the inorganic contribution is to EBITDA, you know, just based on the numbers on the guidance you have out there right now?

Mark Vorsatz
It's a work in process and I would say this, Kevin, I think you guys will gain an appreciation. As I've told you before, we have borrowed from a bank facility one time, that was the first quarter of 2008. We paid off our MBO debt 10 or 12 years ago. We've never borrowed any money from

a bank, although we have a credit facility. I think as you get acclimated, you will realize that I'm trying to manage expectations by presenting you information that I have a confidence level that we will execute.

So, as the year develops next year, we will probably provide some additional information on the inorganic. As I indicated, not all 41 of those groups that I met with personally in October are we going to do deals with, but I would say there's a fair number there that are in our queue and we're advancing conversations.

Ergo, we're bringing more resources in. If you put it into context, we basically have signed 24 deals in nine months.

Now, I'm not going to suggest to you that we're going to do that every nine-month period. But when people ask me about what I think the future holds, I would say, to me, tomorrow looks quite a bit like yesterday, and I think yesterday looks pretty good. So what we have provided in terms of guidance and revenue, I'm very comfortable with.

About a week or so ago, I had a meeting with our board, including both our inside and outside directors, and reviewed the financial information with them. And they were comfortable that the financial information we were providing was consistent with the way we're communicating information in the marketplace. So I would not suggest to you in any way that the numbers I gave you in terms of guidance are aggressive. I think they're very doable.

Greg Vistica
Thank you, Mark. Thanks. And if we do have time, we will have follow-up questions. Mark, I didn't mean to cut you off there. Let's go to Faiza Alwy from Deutsche Bank.

Faiza Alwy
Sure, yes. So I wanted to ask about the organic performance in the quarter, which was pretty strong at 15%, in line with your historical growth rate. I know this is the largest quarter of the year. So just wanted to get a bit more perspective. I know you talked about improved productivity. Maybe just talk about where you're seeing the most traction, whether it's more new clients, sort of more cross-selling with existing clients. Just a bit more perspective on the organic strength of the quarter would be helpful.

Mark Vorsatz
Sure. So, I usually indicate that I've been doing this a while and the third quarter usually is a predictor of what we're going to do next year. After we released fourth-quarter earnings last year, we had an investor that said, on a call that Greg and I had, he said, you know, great quarter, congratulations. And I kind of jokingly said, what about the 93 quarters before that?

So yes, I recognize that relative to the marketplace, our performance in revenue and adjusted EBITDA or margin is very high. But as you know from the S-1, we have averaged 15% growth for

24 years in the United States. And since 2008, the first year we were private, we have averaged growth of over 25% a year in net income. And last year, our growth in net income was 48%, even though we lost $22 million in global mobility and consulting. On a pro forma basis, our net income growth would have been 65%.

So I would tell you, Faiza, I don't see anything much different tomorrow. I'll tell you there are several things we're working on. Even though we're adding in the U.S. about 200 new clients a month, notwithstanding that, I think we have a lot of areas for improvement.

From 9/25 to 9/26, our new client growth was over 2,300 – 2,376. From January 1st through 9/26, it was 1,804. Both of those are about 200 a month, but we can do a better job. We're implementing a new training program. Every year we do a new partner meeting, and that is all firms, globally. This year, because of my travel schedule, we're doing it in San Francisco. We're running concurrently with that a new business development program.

As you'll get to know me better, you'll know, I've never achieved a goal in my life because I always reset the goalposts and I always focus on those areas that are room for improvement. And the two that are three areas where we have a lot of room for improvement: one is adding new clients; number two, our productivity has a lot of room for improvement, it's only up 4% year-over-year, our revenue per professional up about 13%, which is a little bit better number. And even our pricing, and I think Neal commented on this, it's a little under 9%. I think artificial intelligence for us is a tailwind, not a headwind.

On my own personal book of business, my recovery rate is up quite a bit this year. And I think those are three areas that we can do a better job: new client acquisitions, productivity in our people, and pricing. And I know some might question that, but I would say on the pricing side, again, we've averaged 9% growth a year for the last six years.

But I still think there's opportunities there because I think there's opportunities for us to drive more efficiencies, shift more to a billing process of fixed fee, and continue to focus more on value for services where I think you're going to see in the industries, where there's got to be a lot of fee pressure, is on those businesses that use large leverage or are really in businesses that are more commodities than value services.

In general terms, we're not seeing nearly as much pressure in that area as most of the other firms that we compete with.

Greg Vistica
Thank you, Mark. Thanks, Faiza. Tobey Sommer of Truist. Tobey?

Tobey Sommer
Thank you, Greg. I wanted to ask another question about the acquisition program, maybe a little bit longer term. Mark, have you changed your assessment as far as how much an

aggregate of member and affiliate firms may make sense to be part of the public company? And you've also made a comment about like how many you've done and signed over the last nine months. It's maybe not every nine-month period will be that way. But isn't there sort of a reason to think that, over time, you could do more quantity, not less as you start to repeat and triple up on deals in the same countries?

Mark Vorsatz
Yeah, you know, Tobey, the level of enthusiasm that we're receiving in the marketplace, I'm a very positive guy, even I am surprised at how responsive the marketplace is. And let me give you just a little example. Granted, many of these firms are not very big. When I started discussions with the partners in New Zealand, who I call my Kiwi brothers, they were doing about $5.5 million of revenue. They added, from the time we started conversations until the time we closed with them, they had added two groups that added about another $3 million of revenue, so they were up to about $8.5 million.

I have worked with them over the last 60 days or so and we expect, we are providing financing to do two more small acquisitions that we think will close before the end of the year that will have about $3.6 million of revenue. That will take them from the time we started these discussions about $5.5 million to $12.1 million.

We already have in the queue three more small groups that we think there's a very good chance we could close those by June 30. And those groups could potentially add about another $6 million of revenue on an annualized basis.

So we started conversations with them nine months ago, and they had $5.5 million, and it's conceivable on an annualized basis by July they'll be at $18 million. That's not an isolated incident. Earlier this week, we have signed a deal in Mexico; our practice in Mexico has 12 partners and 110 people. It's both a legal and a tax firm. I just approved the hiring of two lateral partners and a small group. We have two other groups we're in discussion with: one has five partners and 30 lawyers; the other has five partners and 16 lawyers.

Collectively, if we're able to execute on those by June 30, and we haven't even closed that deal yet, we're not going to close till January or early February, it's not inconceivable our headcount in Mexico could be up by 40% by the middle part of next year. Not an isolated incident.

We added a group in Ireland, which is part of our firm. We signed a collaboration agreement with a practice in Ireland in July, and I met with the managing partner of that firm when I was in Athens. And I think there's a very good chance that they will consider joining us before the end of 2027.

So on the one hand, Toby, we have over 400 affiliates, and I've said before, we're not going to extend this opportunity to all of them. Some of them are too small at this stage. Some of them

are in jurisdictions where there is challenging geopolitical environments or a high level of corruption, but we need that geographic coverage.

But what we're seeing actually as we do every deal, we haven't closed Italy yet, I just approved earlier this week an acquisition of a small group in Naples. And so, what's happening is we're doing acquisitions on the acquisitions. What I just described to you is another five or six or seven deals just for the firms we've either signed or already closed with, and we're being approached now by larger firms, all over the world.

I have a call with a firm coming up in about two weeks. I'm trying to defer calls until first quarter because, to be quite frank, our deal team, every deal takes a fair amount of time, particularly when you're going into new countries. You know, you're building these deals from scratch. But I got a deal with a group that's in a country in Asia that's very interested, and they have 2,400 people. And I don't think we would do anything immediately with them because we need to get to know them better. We have a very extensive due diligence process just in how we work with firms.

But I would say that I've shut down the expansion team and we've converted that to an integration team because I'd probably spend the rest of my career just working on opportunities that have surfaced.

Having a non-audit practice with a multi-dimensional business model with tax, we're in legal in 164 countries; we're in consulting already in 78; we're in valuation in 60; investment banking in nine; and we're expanding global mobility. We're in discussions with two groups in global mobility that we've known for a long time about merging into the public company. One of those could get signed before the end of the year. The other one will likely be in the first quarter.

Notwithstanding that, just responding to the inquiries has been challenging because I don't want to start discussions with somebody if we can't do a deal with them for a year. I've had the deal team come with me; Ed, Tatum, and Nick have come with me to Singapore, Barcelona, Athens, and they'll be meeting me in Cancun because we have a number of meetings scheduled on Sunday. And I feel a little bit bad about it because they're working 24/7, which is why we're adding more people.

And our biggest challenge is execution, which people say to me, you know, what's your biggest challenge as an organization? I'd say it's two things: not growing, it's managing our growth; and the second thing is execution on these deals.

But I would say this, Tobey, far more opportunity than I envisioned even nine or 12 months ago. We're just trying to manage the process more effectively. And obviously, you know, God has blessed us in many ways. And obviously the stock price has done very well, but we think we're going to deliver very, very good performance for our shareholders. I'm very confident there's a tremendous amount of upside in our business, ergo the 30% increase in revenue that

effectively we're using for next year. And I will monitor that and discuss with our board where appropriate to adjust those numbers, as next year progresses.

It was suggested to me on our board call last Friday that maybe we shouldn't be giving guidance for 2027, and I explained to our directors that first of all, the revenue for the fourth quarter, 60% of the revenue for the fourth quarter is in October. What I have used for guidance to the balance of this year, I believe, is conservative. And what I'm using for guidance for next year, I believe, is conservative. So I think there's a lot of opportunity for us as a group of professionals to continue to perform at a very high level. Neal, do you want to add any comments on the numbers?

Neal Livingston
No, Mark, you nailed it. Thank you.

Greg Vistica
Thank you. Thank you, gents. Andrew Nicholas of William Blair.

Andrew Nicholas
On organic growth, I think, Neal, you mentioned in your revenue per person metric that there is some benefit there from investments in tech. I was hoping you could maybe flesh that out a little bit and how we should think about the potential of technologically enhancing revenue per person next year.

And then as we fast-forward to kind of the back half of '27 and some of these deals that you've already closed become organic, is it your expectation that they will be operating at similar kind of top-line growth rates as your core kind of U.S. tax business, or how should we think about the growth profile on those businesses as they become part of the organic whole? Thank you.

Mark Vorsatz
Andrew, let me address your second question. I'll give it back to Neal for the first question. So those groups that are a member of the Swiss Verein, I still get their financial statements and we have a cost-sharing agreement with them. And the average growth rate for the first half of this year for those groups, of which there's probably about 80 or 85 in tax and legal, was about 13%.

Now, what I've commented before, and I tell firms this, you know, if I tell you what your bonus is and it's really high, I have a reasonable expectation you're going to tell everybody else in your firm. We're being very disciplined on these deals at 10 times earnings. There are three deals that we're doing at a higher PE, at 12.

And I say this to every firm because when we close the deal with the UK, I fully expect that groups we're going to talk to are going to call our partners in the UK. So we're very transparent. UK has average revenue growth of over 30% a year for five years. The deal we signed in Italy, we did it 12 times earnings. Our practice in Italy has average revenue growth of over 30% a year

for five years. And our colleagues in Spain and in Portugal have average revenue growth of over 30% a year for five years.

Now granted, some of that is coming through adding lateral partners and adding groups of people, but we don't see that opportunity changing, quite the opposite. We now have a currency, which we think puts us in a massive competitive advantage, and we have a lot of relationships of people that find our culture, which is our biggest asset, is our culture, and our approach – to be very attractive.

On every deal we're doing, we are giving RSUs to all the managers and directors at the firm that's joining us. And we have every intention, next year, that we'll expand that program to everybody below the manager level. Philosophically, just as every individual in the United States, my executive assistant, Carol, who many of you know, Carol has equity in the firm. Every single person in the U.S. has equity in the firm. We subscribe to that theory. That is part of our culture.

We think we can put up margins that we're doing on an equivalent basis or even higher with that kind of a program, and we think it creates an enormous opportunity for our people and is a tremendous retention package because the standard deal we're doing on each group is six-year vesting, 1/6th per year rateable.

For the groups that are joining us, I've done some videos. When I was in the UK, I went over and met with the office. We had a board meeting last week in September, and then my wife and I flew from there to Singapore for the regional meeting. I met with every person in the office in the UK, and they know they're all getting RSUs. They are absolutely ecstatic. They are thrilled.

And many of these people, we hired from other competitors. In fact, I talked to one group of six people that joined us from a competitor, and I said, what is it like working here versus working in your prior firm? And the manager, a woman, said to me, I felt like I got released from prison. She said she felt emancipated. This is a great vehicle to expand our culture, and so we anticipate continued progress in these areas. I'll turn it over to Neal for the first question.

Neal Livingston
Thanks, Mark. Thanks for the question, Andrew. So let me try to unpick this for you a little bit. Just assume that top-line revenue, 19% growth, that's broadly what we've reported across the Q, year-to-date, and LTM. And within that, you've got rates or pricing around 9%, as Mark just noted, productivity up 4%. The delta there is essentially volume of client activity. So those are your three kind of top-line drivers at that level.

The metric you specifically referenced was revenue per hour, which is up, as we mentioned, 13% year-to-date, it's up actually 14%, close to 15%, for the quarter, but let's call that 13% to 14% on a run-rate basis. So what you're capturing in there is the benefit of those productivity initiatives and obviously also the capacity that we have within the firm, as in headcount

revenue-producing capacity, which we have been managing quite tightly and prudently in the current environment.

So that is, as I think we previously communicated, growing, but at a much more modest level than has historically been the case. So from my perspective, Andrew, the pleasing point of this is that it's a balanced set of underlying growth drivers and metrics. We're not seeing an over-reliance on volume or headcount or pricing or productivity. It's the combination of all of those. And so it's a nice, diversified set of drivers. But equally, that is why we are able to perform at these levels because we are relying on all of those drivers performing at the same time. I hope that helps.

Greg Vistica
Thanks, Neal. Thanks, Andrew. Toni Kaplan, Morgan Stanley.

Toni Kaplan
For the organic growth this year, and was just hoping you could expand on those embedded in the guide. So for example, I know pricing, you've talked about 9% for the last six years. Are you assuming a similar level of price in the guide? And I guess similarly on the rev per hour and productivity, if you sort of did a bottom-up that way, and should we expect another tech surcharge and maybe, I'll stick with that, so thank you.

Mark Vorsatz
So Toni, I'll have a couple comments and then I'll turn it over to Neal. Surcharge is continuing, but it now goes into the base, okay? So next year, for us to do 9%, we're going to have to do 9%, including the base for the surcharge. I would say this, I'm optimistic and I'm confident we're going to continue to change our business model. Back in May, I gave a short presentation to our outside directors that I suggested that I felt our business model was going to change from a leverage factor to about 6.5 to 1 to about 3.5 to 1.

But I felt it would be much more profitable because we're adding more people at the lateral level, our retention on the experienced side is much higher. We have been a little more aggressive on underperformers, and that's something I'm pushing through the system, but Dan DePaoli is carrying the ball on it and doing the heavy lifting on it. But I think we're focusing more on value with our clients, and clients are willing to pay for cost-benefit.

What I do on my individual clients after October 15th on every one of them, we send a note indicating the things that we've done for them that year that were material and what we believe we've saved them. Therefore, we're quantifying for them cost-benefit. In fact, one of my clients sent me a note because he's been with us about four years, had previously worked with another Big Four firm, and our fees are probably around double what they were charging.

And his comment back to me in the note, I had the director send it, his comment back to me was, you guys are sure expensive, but you're awfully good. So we're not interested in

competing as a low-service provider. Point of fact, in 2025, our revenue per professional among 60 firms in the United States in tax, including the Big Four that self-reported was #1. We think that gap is getting bigger, and we think if we focus on cost-benefit and value solutions, our clients will be fair with us and we'll be fair with them. Neal, comments?

Neal Livingston
I think you've covered most of it, Mark. I would just add there's no fundamental change in our approach to value and pricing. You won't see that 3% necessarily repeat, but we will stick with our traditional approach of reviewing our rates on a twice-annual basis. So it'll be the same drivers, Toni, but a different composition for the reasons Mark's articulated, in particular, the reshaping of the skill base and the workforce from something that was more hierarchical with a large pyramid to a workforce where we have more capacity in more senior levels across the firm.

That's a huge value driver. The fact that headcount might be growing at a low level doesn't really tell the full story. You've got to look and see how value's being created across each of those revenue-producing parts of the firm.

Greg Vistica
Thank you, Neal. We have two more analysts that we'd like to get in before we conclude our call. Let's go to Jason Haas of Wells Fargo.

Jason Haas
Hey, good afternoon, and thanks for taking my question. Just a quick one on the guidance this year. How much inorganic revenue is assumed in guidance? There's a prior expectation of 25 to 30 million. Is that correct, or if not, what's the new number?

Mark Vorsatz
Neal, do you want to comment on that?

Neal Livingston
Yes, Jason, we've intentionally not guided a split between organic and inorganic, but I would suggest the numbers you have mentioned there would be on the low side.

Jason Haas
Okay, okay, yep, I figured. All right, that's helpful. Thank you.

Greg Vistica
Thank you. Thanks, Jason. Jeff Silber, Bank of Montreal.

Jeff Silber
Thanks so much for squeezing me in. I wanted to go back to the acquisitions. Given how well your stock has done, I'm assuming some of the potential acquired companies have seen that.

Are you seeing any pushback in terms of multiples creeping higher, and how are you addressing that?

Mark Vorsatz
The answer is we have to be fair to all of the groups that join us. That's why I'm so transparent about the economics, because if I do a deal with you at 10 times earnings and somebody else comes along, I just had a discussion when I was in Europe with a group that had been approached. Obviously, private equity firms are approaching everybody, and they were approached and offered a deal at 16 times EBITDA with a private equity firm.

And my view is if your only reason for joining us is money, this is not the right place. Culture is our biggest asset. It is a driver in how we do the business. Our motivations for going public were not about money. I signed an extra one-year lockup to send that message to my colleagues and also to the marketplace that this is not about money. It's about achieving our potential as a group of professionals and creating a better place for the next generation. We call that stewardship, where our people will have greater professional opportunity and greater financial opportunity.

Ergo, that's why I believe everyone that works in our organization ought to have a stake in the game as a private company on our pure core equity earnings. When we went private in 2008, I told our partners, we're going to give 20% of our equity earnings to our people in bonus. And that was a strategy that we pursued.

Okay, so is the marketplace driving up some of the acquisitions and PEs? Absolutely. We're not having any resistance. I can't recall any specific deal that I've advanced conversations with where someone said to me, we're not going to do a deal with you because we can get more money somewhere else. Because if that's their view, they should go there because they're not a fit for us.

So, Jeff, as we think about this business, and it's not just me, if you talk to all of our senior people, you could talk to our first-year staff person, we all buy into this. This is a team, it's a culture, it's a business model, and we think that is why many groups want to join us.

Obviously, our performance of the stock has been terrific, and that's not hurting. I mean, groups that signed us, we're giving stock price based on date of signing. So, if you signed with us in early March and the stock was at $23 a share, and it was at $64, $65, $66 today, obviously, on the stock component, you're making a lot of money. That's not why I'm using stock. I would say the analysts, the investors, even some of our outside directors have said to me, don't use stock. I understand that if our stock goes up 25 or 30% a year and our cost of funds is 7 or 8%, it's a better deal to use cash. I'm not stupid. I get that.

The same restrictions we have on our partners, we impose on the groups that join us. Number one, you have to retain a third of your ownership if you're an active partner. Number two,

there is a time period just like we have in the United States why we have these strange numbers. It's because we unvested 59% of our equity. Try going to any other company and saying, here's the deal, you are fully vested on your equity. Boy, do I have a great idea! Let's unvest your equity and let it vest over five years.

We had unanimous vote in favor of that. We had a unanimous vote in favor of giving our retired partners four times what they were legally entitled to. Our partners voted unanimously for that. Our partners supported unanimously that we gave our people $90 million of RSUs and every single person in our firm got RSUs at inception.

Certainly, the stock performance has helped, yeah, but that's not why people are joining us. People are joining us because they think we have a unique business model, they think we have a unique culture, and yeah, over time they're going to do fine financially and certainly they have to date. Greg, back to you.

Greg Vistica
Thanks, Mark. We will conclude the follow-up calls on our separate analyst calls later this evening. So, Mark, do you want to make any closing remarks?

Mark Vorsatz
Yes, I just want to thank the analysts because you guys have been great. You've educated me a lot. I've learned a lot from you. It's modified my thinking a little bit. I want to thank our outside directors. Even where we haven't agreed on things, I appreciate the spirit in which those communications are made. I want to thank our people for sure, because they're the ones creating this value. And I want to thank the investors, particularly those who have invested with us early on or at the original IPO who still have significant positions in the company.

I understand the motivations for profit-taking and taking some money off the table. I've encouraged my partners to do that because they have kids in private schools, they want to get bigger houses, all those kind of things. My wife and I are in a different financial position. But I just want to thank everybody for all of the support.

Greg Vistica
Thank you, Mark. And with that, we conclude the call.