Andersen Group
Second 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-Q for our second 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, Managing Director, Investor Relations
Mark Vorsatz, Chairman and CEO
Neal Livingston, Chief Financial Officer
Bill Deckelman, Chief Legal Officer

Q&A Participants
Greg Parrish – Morgan Stanley
Andrew Nicholas – William Blair
Kevin McVeigh – UBS
Tobey Sommer – Truist
Mark Marcon – Baird
Jason Haas – Wells Fargo

Operator
Greetings and welcome to Andersen Group Q2 2026 Earnings Conference Call.

At this time, all participants are in a listen-only mode. A question-and-answers session will follow the formal presentation. If anyone should require operator assistance during the conference, please press "*", "0" on your telephone keypad.

Please note, this conference is being recorded.

I would now like to turn the conference over to Greg Vistica, Managing Director, Investor Relations. Please proceed.

Greg Vistica

Thank you, Latonya, and welcome everyone, and thank you all for joining the Andersen call to discuss our second quarter earnings. I'm Greg Vistica, Head of Investor Relations and joining us, today, are Mark Vorsatz, our Chairman and CEO; Neal Livingston, Chief Financial Officer; Bill Deckelman, Chief Legal Officer.

With that, Bill, I'll turn it over to you to read our disclaimer.

Bill Deckelman
Okay. 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 second 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.

Now, Mark, I'll turn the call over to you.

Mark Vorsatz
Thanks, Bill. I'm going to cover three things. I'm going to talk briefly. I'll highlight an overview of the financial information that was already distributed. I'm going to comment on a few key financial factors that are probably not included in that information but I think will be important to you in terms of evaluating our company. And the third thing I'm going to talk about is our transactional strategy.

I first want to thank our partners and our people. I think we had a very solid second quarter. I also want to thank our board for all the support that they've given and also those investors that have taken this journey with us, along with the analysts who have given me a lot of good personal input, for which I'm extremely appreciative.

We had indicated in the call we had in May that we gave guidance for the second quarter, a 13% increase in revenue with a range of $190 million to $205 million. We came in at about $217.7 million, so that's an increase of 23.7%. Of particular relevance is our organic growth rate was about 20.5%.

I looked back. I have all of our financials for the last 24 years, and I went back and looked at each quarter, and I stopped at about years seven or eight, earlier. This is the best second quarter we've had in terms of percentage growth which considering the size that we're getting in terms of revenue, is particularly relevant.

On the adjusted EBITDA side, we came in for the second quarter, a little under $46 million versus about $30 million for 2025, so we had increased about 54%. For the first half, our revenue was about $458 million, or an increase of over $74 million, which was 19.3%. Keep in mind, the inorganic revenue was really nominal in the second quarter, so most of that growth rate is just pure organic.

Our adjusted EBITDA year to date is up over 41%. If you look at our margin and compare it June 30, 2026 to June 30, 2025, we're at 26.8% versus 22.6%. Keep in mind, we're still investing in Global Mobility and Consulting, and so the margins would be much higher but for those investments.

Several key statistics that I think are relevant if I were sitting on the other side of the call. I mentioned Dan DePaoli has been working on our productivity. While the productivity growth has been modest year to date, it's at an increasing rate. So, for the first half of the year, our productivity has increased 3.9%. That may not sound like a lot, but what I had indicated before is if we add an hour a week, based on our effective rate, that's about $40 million at the bottom line.

Our rate per hour continues to be very strong. It's come in year-over-year at a 10.1% increase. We had a rate adjustment in July, so I would expect we may get some modest improvement on that in the second half of the year. I'll talk about the client selectivity issue in a minute because I think that's a big factor in our growth of clients that's driving that number.

I indicated on the last call that the one statistic I'm particularly focused on, and I mentioned that based on Accounting Today, on which they track about 60 tax firms, we've been number one last year in revenue per professional, and our revenue per professional through the first half of the year was up 16.4%. That's a very, very important statistic in how I view our business.

On the client side, on a gross basis, we added over 1,300 clients, which was 10.6% increase. We had a modest net increase because we've had some clients where we've either completed work or we've had clients where we terminated the relationship because we didn't view it as productive as we would like.

On the attrition rate, because that may be an issue that you're focused on, Alexa LaBianca, I give her a shout-out. She tracks all this stuff in HR. Actually, while our attrition is up a little bit, we've a rating system of one to five with five being the highest, and we probably have a lousy curve because if you're below four, maybe you should not be working here. Seventy percent of our attrition was at ratings of one to three. I view that as a positive, not a negative.

Kelly Rath, who runs our recruiting group, has done a terrific job. We have a great recruiting team. The first half of this year, for 26 hires, we've had the best year we've ever had in 24 years with acceptance rate. Most of our candidates have multiple offers. We're not just competing with accounting firms, but we're competing with law firms. By way of example, in San Francisco, probably about 70%-75% of our hires are lawyers.

Our acceptance rate is tracking for 2026 starts at about 73%. When we were WTAS, we would run at about 36%. When we flipped to the Andersen brand, we were at about 65%. There's probably a lot of factors involved, but I think execution is a very important one. Certainly, being public in the brand I think is also particularly relevant.

The last topic I'm going to touch on briefly, and then I'm going to turn it over to Neal, is the transactions. I don't call these acquisitions because these are our partners. I have been involved in transactions for over 40 years, and I'll tell you, I have done hundreds, if not a thousand transactions, and some of them very large. And it's been my observation that the reason transactions don't work isn't because of economics, it's because of culture.

Our whole process in identifying firms and in having the collaboration agreement, in working with those firms, and how we interact with the firms comes down to values. We want to be best in class. We want to make this a better place for the next generation. We think we can do those types of things and also reward our investors. That's a really, really important litmus test for us.

I would say the acquisitions are taking longer than I would hope and a little longer than expected, and I'll comment about what the economics of that will be. As you've seen now, because we had to disclose for financial purposes, we included two acquisitions that we did on Monday and Tuesday, so we now have signed 16 transactions. Eight of those have closed. That represent over $130 million of revenue. That based on our 2025 revenue, and I'm sure the analysts will be all over this, would be about a 15.5% increase in our revenue, over and above what the inorganic revenue will likely be for this year.

We had originally planned that we would do about $55 million of inorganic revenue. One of the analysts had sent Greg a note, which he forwarded to me, and I thought we would address it on this call so we could deal it in a comprehensive fashion. We are going to come in far short of that, so it is likely that we will probably come in at somewhere around $25 million to $30 million. It's not because of a lack of opportunity. It is because these transactions take longer than we would hope.

We've added additional resources. We now have three full-time lawyers in-house working on the transactions. Ed Prokop, who leads that group, spent 20 years at Sidley in Austin and was a partner, then 10 years as a partner at Winston & Strawn. We've added now two more people in the finance side. We have four full-time people on finance. We're supplementing that with our skills internally because we've about 60 people in the U.S. in M&A. We have deep skills in cross-border taxation.

But there are requirements for us to go through from a regulatory standpoint, which sometimes takes the deals a little bit longer. As we do deals in each country, we're building a prototype, and I hope in the future, those deals will go a little bit faster.

We're not changing our guidance at $980 million to $1 billion of revenue because I think that our organic performance will continue to be much higher than we had originally anticipated.

I would say we also had a strong July. The third quarter is our biggest quarter because September is our busiest month in revenue, and August is our second busiest month, so I actually view this as a positive. We're being deliberative, we're being measured, we're being disciplined about these transactions, but we're going to do this right. We're not going to do it fast.

We have quite a pipeline. This year, last year, every other year, we do a global partner meeting, which we had one in November in Las Vegas. This year, there are regional partner meetings. So we have meetings in Singapore, in Athens, in Barcelona, in Atlanta, and in Cancun, and I'm bringing our deal team with me to Singapore, Athens, Barcelona, and Cancun. And I would say our dance card is completely full with meetings with new groups that want to join.

So, we have quite the pipeline. I would say our biggest challenge, right now, is maintaining our discipline on doing this, thoughtfully and correct. I believe we have enough existing deals where we've active conversations that at a pace of two to three a month, we have enough deals in process through the end of next year.

So while there is a little bit of slippage in terms of timing of closing, and so the deals we just announced, we've now completed a little over $130 million of deals this year, in terms of annualized revenue. Some of that revenue will slip into 2027, but our organic performance for 2026 is so strong that we'll compensate for that differential. Those are generally positive things.

I always say, when Kelly Rath sends me a note and says that we had a 73% acceptance rate, much like how I deal with my children, who are both adults, I say, "What happened to the other 27%?" So, we obviously have areas for improvement. We still have areas for improvement in pricing. We have significant areas of improvement from productivity. Even though we've added gross client increase of 10%, I think we could do a much better job in that area.

We had an internal board, our U.S. board call yesterday, where we spent a fair amount of time talking about how we can do a better job on business development, and we're going to have a call on Sunday to talk through that in greater terms. We're starting to see some continued modest improvement in integration, but we're just scratching the surface.

Now, the way I look at it is, at 20% organic growth, better than 20% organic growth for the second quarter, and as my partners know, I'm never happy. I look at this and say, "The glass is half full, but it's half empty. Let's focus on how we can fill up the rest of the glass." I'm very confident that we're going to continue to execute, and we're going to do an even better job going forward.

So, that's my overview. I'm going to turn it over to Neal.

Neal Livingston

Hey, Mark. Thanks very much, and good afternoon, everyone. Thanks for joining us, today. Obviously, we appreciate the ongoing interest in Andersen. Our third earnings call as a public company, I'm going to cover our aspect of a financial performance that Mark has not already covered. Let me just start back with revenue.

So, to reiterate the top-line numbers for the quarter, for the second quarter, revenue of $217.7 million. That equates to a $41.7 million or 23.7% increase, year-over-year. Included in that is $5.5 million of revenue from acquisitions that were closed during the second quarter. So, if you take those out, excluding acquisitions, organic revenue increased 20.6% year-over-year for the quarter. That result exceeds the midpoint of the second quarter revenue guidance previously provided by around 10%, equating, we think, to a solid top-line beat for the quarter.

We've provided first half information, as well. Mark's mentioned the revenue for first half, which was up 19.4%, or 17.9% on an organic-only basis. Going forward, and you'll note in the 10-Q, we are now including last 12 months in financial information in the MD&A section of our quarterly reports. This is intentional to provide additional insight on the annualized performance of the business, excluding some of the seasonal effects that Mark mentioned, driven by U.S. tax filing deadlines.

Looking at the last 12 months ended June 30, 2026, our revenue was $913 million. That equates to a year-over-year increase of $176 million, or 18%. Again, taking out the inorganic piece of that on an organic-only basis, that equates to a revenue increase of 17.2%. So, solid top-line momentum.

Breaking that revenue down, the growth in the second quarter was underpinned by solid growth across all of our service lines and U.S. regions. We had no large non-recurring items of revenue for the second quarter. Specifically, I'd call out business tax services, which reported strong growth of 36.9% for the quarter and accounted for 39.2% of revenues. And our largest service line, private client services, also reported solid growth of approximately 17% for the quarter.

Mark mentioned it, but we are seeing positive momentum in Consulting and Mobility, whilst continuing to invest. The revenue from those service lines is up on a year-over-year basis.

Mark mentioned some of the underlying drivers that contributed to that growth. I will add one, which is increase in volume, up 5% as measured by chargeable hours for the first half of 2026. So, alongside the pricing increase and the productivity increases that Mark already mentioned, a nicely balanced picture in terms of underlying revenue drivers.

We also added headcount for the quarter, albeit at a more moderate pace compared to prior periods on a net basis. Just a reminder that as part of our 2026 pricing strategy, we introduced a 3% tax surcharge, we discussed that previously, for client contracts that were signed from the second quarter of 2026. This has obviously contributed to the year-over-year revenue increase, and is over and above the rate increase that Mark mentioned previously.

So, overall, the picture is one of revenue growth that's well diversified across practice lines, U.S. regions, and by driver.

Turning to net income for the second quarter, we recorded a net loss on a GAAP basis of $10.1 million. That compares to a net loss of $96 million for the second quarter of 2025. Earnings per share for the second quarter was negative $0.08 per share basic and negative $0.09 per share on a diluted basis. That is also in line with previous guidance, where we indicated a net loss and negative earnings per share for the second quarter.

For the first half of 2026, we recorded net income on a GAAP basis of $7.6 million. That compares to a net loss of $45.4 million for the same period of 2025. The smaller net loss in the second quarter and then the swing from a net loss to net income for the first half of 2026 is primarily attributable to combination of higher revenue and reduced equity-based compensation expense.

Turning back to non-GAAP measures, and I'll try not to repeat what Mark has already mentioned, but for the second quarter, we had adjusted net income of $39 million, with an adjusted net income margin of 17.9%. This compares to $28 million and 16% for the equivalent period in 2025.

Our adjusted EBITDA was $45.9 million, an increase of approximately 55%, with an adjusted EBITDA margin of 21.1%. That compares to $29.7 million, or 16.9% for the equivalent period in 2025. If you do the maths, you'll see that that is a margin increase for the quarter of approximately 420 basis points.

Looking at the same numbers for the last 12 months, adjusted net income $240.6 million, with an adjusted net income margin of 28.8%, compared to $172.8 million and 23.2% for 2025. That's the adjusted net income. Adjusted EBITDA was $262.9 million, about a 46% increase, with an adjusted EBITDA margin of 28.8%, and that compares to $179.6 million and a 23.2% adjusted EBITDA margin for the same period in 2025. Once again, doing the margin expansion, the margin increase, that's an increase of 560 basis points for the last 12 months.

Why is that? Lots of underlying reasons for that, but primarily what this does reflect is favorable operating leverage in our business, whereby, if you look at our annualized revenue growth, it's consistently outpaced the growth in operating costs, excluding the non-cash equity restructuring cost and some of the stock-based compensation expense associated with the IPO and the vesting of Class X aggregator units.

Costs have also improved in Q2 for similar reasons. Cost of services has reduced from 128% to 79.7% for the second quarter. SG&A decreased from 30.6% to 23.2%. Again, that is primarily related to equity-based compensation changes.

Let me speak briefly to stock-based compensation because that's an important part of our P&L. For the second quarter, stock-based compensation expense was $48.2 million, of which $42.3 million, to be exact, or 88% was linked to the vesting of Class X aggregator units. And for the first half, that stock-based compensation expense number was $93.9 million, of which $83.4 million, or 89%, was linked to the vesting of those Class X aggregate units. Again, as a reminder, that expense item is a non-cash and non-dilutive expense with no cash flow or operational impact.

I'll briefly cover our balance sheet and cash flow, and also comment on the lock-up and tax receivable agreement because we do get those questions from time to time.

As of the end of June 30, 2026, our cash and cash equivalents were $175.6 million, and investments in U.S. Treasury securities of $2.1 million. We had no third-party debt, and the company continues to maintain a conservative stance towards financial leverage.

Our net working capital, which we're defining as current assets less current liabilities, was stable at $220 million, as of the end of June, as compared to $216 million at the end of December 31, 2025.

I'll repeat what we've said previously in terms of our funding needs. Historically, we've generated sufficient cash flow or cash to meet our funding needs. We believe that the existing cash and cash equivalents, cash flow from operations and the residual proceeds from the IPO will be sufficient to meet our foreseeable funding requirements.

On the lock-up and tax receivable agreement, as of June 30, 2026, we had not yet incurred any liability in connection with the tax receivable agreement. I just wanted to make sure that is clear. And as a reminder, there are limits on the number of Class X units and the paired Class B shares that can be exchanged for Class A shares, post expiration of the IPO lock-up in the middle of June. There's a 10% cap that's relevant to us in aggregate, so we wanted to make sure everybody understood that position post-lockup.

I'll just briefly reiterate our outlook and forward guidance. We are reaffirming our 2026 full-year guidance, which is revenue in the range of $980 million to $1 billion. That equates to annualized growth of approximately 18%. Adjusted EBITDA projected to be in the range of $225 million to $250 million. That equates to growth of approximately 5% and adjusted EBITDA margin, we are holding to a range of 22%-23%.

Briefly in closing, really proud of our second quarter results, which surpassed the previous guidance. We think this financial performance is indicative of a business that is performing well and an affirmation of our no-audit business model and some of the discipline around client selection that I know Mark is very passionate about and our approach to client service.

That's it from me. Thank you very much for listening. With that, we would be happy to take any questions.

Operator

Thank you. We will now conduct a question-and-answer session. If you would like to ask a question, please press “*”, “1” on your telephone keypad. A confirmation tone will indicate your line is in a question queue. You may press “*”, “2” 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. Once again, that’s “*”, “1”, at this time.

One moment while we poll for the first question. The first question comes from Toni Kaplan with Morgan Stanley. Please proceed.

Greg Parrish
Hey, good evening. This is Greg Parrish on for Toni. Thanks for taking our question. Congrats on another great result. Maybe just to start with business tax. It was a really fantastic quarter there, specifically. Maybe anything to call out on what drove the strength there?

Mark Vorsatz
I’ll make a couple comments, this is Mark Vorsatz, and then I’ll let Neal respond. I think some of it is client focus. I often say that a couple of the considerations in why our financial performance continues to be very strong, and this isn’t like we just had a good quarter, we’ve had 96 good quarters. We’ve never had a down quarter in revenue or net income for the U.S. in 24 years.

Part of it is client selection. It’s the type of clients that we pursue and our business development strategy. When we started out, we had to do that just to survive. Today, we’re a little bit better than that. And I would say the other thing are the types of services that we’re providing to those clients. So, we are not providing services that I would consider to be more commoditized.

We don’t do audit work. We don’t do, for the most part, large-scale tax compliance engagements. The reason I think we drive so well on the pricing side is because we try to build relationships with clients. The reason they hire us isn’t necessarily because we’re the lowest cost provider. They hire us because they think we can add the most value, and that’s a focus that we drive through the organization across the board. It’s embedded in our business development strategy that we want to help our clients be successful, and we want to help them from a financial perspective, achieve their objectives. Neal, you want to add some comments?

Neal Livingston
I come off mute. That’s well said, Mark. Thank you. Nothing to add. Thanks for the question, Greg.

Greg Parrish
Great. Thanks for the color there. Just as a follow-up, maybe just add some color on the acquisitions, this week. I think six of the eight were U.S.-based consulting firms, but you can correct that if that’s wrong. Just given how fast technology is evolving with AI, how do you judge the capabilities of these firms and what really gives you confidence in their ability to continue to grow as technology evolves? Thanks.

Mark Vorsatz
I would say there's a couple of factors involved. First of all, we know these firms very well. I'm going to highlight several of the firms that have joined us. So, Zenger Folkman, they are not just a talent management firm, they are the benchmark of talent management firms. Unfortunately, Jack passed away about three or four weeks ago, but they have a very deep bench, and Joe is a superstar.

Those two individuals have written 21 books on the subject. They are the standard. They are best in class, and it's totally consistent with our strategy around being in the C-suite. We want to be where the real decision-makers are. We're not interested in dealing with the head of procurement. We want to deal with the CEO. We want to deal with the board. We want to deal with the people that make the decisions around the company, so we have a forum to provide services to those groups to help them be successful.

I was so impressed with them when we first started recruiting them that we hired them to do a program for us. They've now done a program for 75 of our partners. It's a group that we know very well. Amy Daniels out of Chicago, Amy used to work at Andersen. Amy has a very close relationship with Rosa De Luna, who is the head of our Chicago office. In fact, their husbands were roommates together in college. So, this isn't like dialing for dollars here where we said, "Well, geez, let's go talk to somebody." We have a long-time relationship. Her firm out of Chicago is also in the talent management space and gives a lot of depth.

SPR, Rob, we've talked to for a long time. Joe Karczewski, one of our best partners, it's been a client of Joe's, for over 30 years, long time relationship. I've spent a fair amount of time with Rob on working through some of the technical aspects of the deal. We traded two or three notes, today, because in every deal, we're giving RSUs to the managers and directors as a retention tool but also because we want these people to participate in the financial upside of the business.

Strategically, what you will see, while we will be opportunistic and we will continue to do deals in multiple jurisdictions, you'll see a focus on the U.S., North America, Canada, and Mexico. We announced a deal with Alonso Montes' firm in Mexico. I have known Alonso for a very long time. They have been with us for 11 years.

Now, Ive known his father much longer than that because his father started at Arthur Andersen in 1968, and his father and I were partners together at Arthur Andersen for 15 years. They share our values. They share our culture. We have an intimate familiarity. What's already transpiring, we had a board call this morning, and I made several comments to our board related to the transactions that are generating transactions.

Alonso and I have a call within the next two weeks with a law firm in Mexico that's approached us that would like to merge into the business. We've already identified what we think is the best private client service practice in Ireland that we're advancing conversations with because they have a relationship with our colleagues in Ireland.

Our group in New Zealand sent me a note, yesterday, that they have two deals that have been approached since they have been announced that they are part of Andersen and part of the public company.

So, what you'll see, strategically, is we will do deals in North America because of the relationship with the United States and Canada and Mexico. We obviously announced the U.K. Kevin Henley, who's the managing partner there, we've worked with him for a long time. I helped to recruit Kevin when he came to the firm. That group was originally started by a former Andersen person. Paul Finland, who has been affiliated with us for many years, used to run our law firm called Garratt's where we had 1,000 lawyers in the U.K. at Arthur Andersen. These are people we've known for a long time.

You will see more deals in France, Germany, Italy, Spain, for obvious reasons, and we will be generating activity in Asia, as well. We could walk and talk and chew gum at the same time, so we can have a lot of conversations. So, you'll see some other deals in Latin America, more deals in Africa. Interesting phenomenon is that in South Africa, they may allow in the region legal services to be provided outside of the country, where the regulatory issue is more like it might be in the States, in the United States.

So, we see a lot of opportunity in these spaces. We're looking at groups that we've a significant relationship with, where we believe that we can help leverage them into our business model and can add a lot of value to our clients.

Greg Parirsh
Great. Thanks very much for that. That color is very helpful. Thank you again, and congrats again on the really strong quarter. Thanks.

Greg Vistica
Thanks, Greg. If I could say to the analysts, let's just ask one question this time around, and if we have time for follow-ups, we'll follow up. Thank you.

Operator
The next question comes from Andrew Nicholas with William Blair. Please proceed.

Andrew Nicholas
Hi, good afternoon, appreciate you taking my question. Wanted to ask on EBITDA and maybe margins, broadly. Another really, really good quarter in Q2. I understand you reaffirmed guidance on the top line because maybe a little bit slower cadence of deals. But on the EBITDA front, I think even at the top end, it's implying a little bit of a step down year-over-year in the back half, which doesn't sound consistent with kind of the mid-teens, mid-teens plus organic growth that your guidance implies.

So can you talk a little bit about the EBITDA guide, whether or not there's some conservatism in there and any potential impact from the deals you've announced? Thank you.

Mark Vorsatz

Thanks, Andrew. First of all, thank you for your note to Greg, you really nailed it, about the inorganic revenue, and that's why I wanted to address it on this call. I think what's really exciting is these are just timing issues for us, okay? In some of the countries, it just takes a little more time to get deals done because we're actually, in some markets, we are creating the strategy, so getting regulatory issues even approved in Canada, took us three or four months to get that approved.

Yes, I will say that Neal advocated increasing our guidance on adjusted EBITDA, and I said no. Okay? Does that mean I'm any less bullish about it? As I've shared with you before, we haven't borrowed money since the first quarter of 2008, since we've been private, okay? I'm a conservative guy. And while I'm very bullish on our third quarter, and I think you'll see an increase in our adjusted EBITDA in the third quarter because it's clearly every year our best quarter, we're going to continue to be relatively modest about how we communicate things.

I had played when I was younger, I played football in high school and college, and when our team scored a touchdown, I didn't give any high fives. I looked around on the field to see if there were any flags, and then I ran down and got on the kickoff team. We have a lot more work to do. Am I any less bullish? I'm even more bullish. We've had two outstanding back-to-back months, far exceeded my expectations. When we gave guidance at 13% for the second quarter, that was conservative.

Did I think we'd come in at 23.7%? If you had said to me in May, "Take the over-under on 23.7," I would've been a little bit balanced in my view. Okay? So, I would just say this, we're going to continue to focus on those areas of improvement in the firm. We're not taking anything for granted. We get up every day, and I always say to people, what I do for a living is I pound rocks, and I just get up early and I work late, and we pound rocks, and we're going to continue to give our clients the best-in-class service that we can. And fortunately, our clients have been very generous with us in rewarding us with new business and new business opportunities.

So, Andrew, I will say, I will volunteer that for some of the projections that we looked at multi-year, that we probably have $100 million of revenue that has joined us that will not hit in the 2026 numbers at all, $100 million of annualized revenue. So, as you guys evaluate or reevaluate your projections, you should think about that, and you should probably also understand that we have quite a few conversations going. I can't guarantee anything.

What I would say, realistically, is I would be disappointed if we didn't sign another eight to 10 deals between now and the end of the year. I think we're at a point where we can do two or three deals a month. It's not every month. Some months we get four or five, some, we don't get any. But I think that's a realistic benchmark for us to consider because we're adding more resources in this area. And in some countries where we've built the prototype, it's much easier for us to do a second and a third deal in that country, and the process is much quicker.

Andrew Nicholas
Thanks, Mark.

Operator
The next question comes from Kevin McVeigh with UBS. Please proceed.

Kevin McVeigh
Great. Thanks so much. Obviously, a lot to like here. Mark, I think one of the, it's hard to say understated, but understated parts of the story is the client success you have, right? And maybe help us understand why you continue to add at such a high level. My sense is there's probably some incubation that's kind of perpetual, but help us understand that client add motion a little bit.

Mark Vorsatz
I would say, Kevin, some of it's our frame of reference, some of it's orientation. If you look at the groups that have joined us, and if you look at the original group, we had to go get business to survive.

When I was a partner at Arthur Andersen, I used to say most of our partners thought business development was answering your telephone. We're not in that position. We're never going to be in that position. We're always going to have an edge, and we go out and we hustle. Now we've got a responsibility, not just to each other and to our people, but we've got a responsibility to our investors, so we are putting more and more energy.

What I've said my strategy initially was, let's build a platform. We checked that box. We got 1,100 in locations. We started with six. Many of those groups will end up becoming part of the public company. The second was, let's build out content. We're probably 50% of the way there.

My anticipation is that Andersen Consulting organically, in the second half of next year, should be in the black. We're hoping Global Mobility will be in the black in 2028. We're continuing to make continued investments in those areas because we think we can differentiate ourselves in the marketplace. I've already got two or three new businesses in mind, and we're very gradually going to add resources in those because we're going to balance profitability with investment.

Then I'd say the third thing that's a little bit different is we're not selling commodities. We're not selling audits. We're not selling large-scale tax compliance engagements. What we're trying to do is build relationships with clients, establish value, sell value and get paid something fair for it. Very easy for us in the U.S. to quantify tax benefit.
I had a situation, just recently, where a client of mine, it's a family office, we identified an area of opportunity. That will be very extensive engagement for us, but we think we can save that client

$200 million. And I think the costs for that client are going to end up being somewhere between $3 million and $5 million, and it will be more along the lines of a flat fee for services. The principal is an entrepreneur, and if I were to say to him, "Hey, you’ve got an opportunity to make 50 to one on your investment in 12 months, what do you think?"

He’s not going to ask me what my billing rate is or how fast I read. So, a lot of that is our client selection and the types of services that we provide, which is why, as you’ve observed over the last five or six years that you’ve had information for, we continue to be able to improve our pricing because it’s the type of services that we’re providing.

Kevin McVeigh
No problem. Thank you.

Mark Vorsatz
Thanks, Kevin. Appreciate it.

Operator
The next question comes from Tobey Sommer with Truist. Please proceed.

Tobey Sommer
Thanks. I wanted to talk to you about your senior hires or organic hires. If you could talk about the profile of where they’re coming from and what you see their revenue generation look like and how it compares to the existing staff at that level resident within the organization.

Mark Vorsatz
So, Tobey, we look at two different areas. One is entry-level. These are typically people coming out of graduate school or undergraduate. I would say, today, probably about 70% of our new hires have interned with us, and this is a program that we implemented about 15 years ago. I did the initial program. Dan DePaoli now does it. We do what we call an Intern Connect program in St. Charles, every year. It’s a great way to get all of our summer interns together.

We typically have somewhere probably around 300 to 400 people, and all of those people we’ve had an opportunity to work with. And I would say we probably give offers to about 75% of those people, and we probably get about an 80% acceptance rate or better.

At the entry-level, we’ve done a much better job of getting people on board that are known quantities. About 15 years ago, I analyzed some information, and I found that our retention rate for people who had interned with us was about 50% better than the retention rate of people that did not intern with us.

On the lateral side, it’s more driven by focus and needs. We’re expanding our tax controversy practice. We’re in discussions with a lateral hire from a major U.S. law firm. I’m not sure if we’re going to do that deal. I’m not sure if we’ll be able to get it done.

But we've targeted an area there where we see a lot of opportunity, where we can go to clients and represent them in a way that will quantify for a tax benefit that many of the accounting firms don't do extensive tax controversy work. Maybe they handle an audit. On the federal level, they don't do appeals. On the state level, they don't do appeals, and they certainly don't do tax litigation. So, more of that, Tobey, is driven by our targeting what our needs are.

In our internal call, yesterday, two of the areas I focused on, Silicon Valley, and I could just say Silicon Valley, Silicon Valley, and Silicon Valley because the marketplace is reminding me right now of 1998. If you've seen the housing prices, number one market for rent increases in the United States is San Francisco. Explosive.

There was an article in the paper about three months ago, the San Francisco Chronicle, that said, "Unless you're prepared to overbid on a house by $1 million or more, don't waste your time writing an offer." The explosion in artificial intelligence, about 50 of the top 100 companies in the world are in Silicon Valley.

And then the other market that I find particularly interesting, we talked about this yesterday, we have not given it near the level of attention we should, is the huge migration of wealth to Florida. And we've got three different locations in Florida, but we see that as a market that we're not serving adequately. We see adding additional resources there. There was a recent article, some of these numbers are staggering. The potential transition from this generation of wealth is $125 trillion.

We see ourselves at a significant competitive advantage in servicing that market and the value that we think we can bring to the relationships. It tends not to be price sensitive because we're able to quantify cost benefit.

So, one of the things we're going to do on Sunday, in addition to moving forward with implementing a more comprehensive business development program for selected directors and managers, is to talk specifically about which markets in the U.S. we want to prioritize adding resources and making more investments.

The interesting thing is if you looked at our top five offices in terms of maturity, that would be Southern California, Northern California, Chicago, Boston, and New York. The worst margin is 27.7%. The best margin is Northern California at 38.8%. We see as we mature some of the markets in Texas, in Florida, build out further in Seattle, we see moving the margin higher because we think we'll get more critical mass, more economies of scale, and more resources. Thanks for the question, Tobey.

Tobey Sommer
Thank you.

Operator

Next question comes from Mark Marcon with Baird. Please proceed.

Mark Marcon
Hey, good afternoon, and let me add my congratulations. Terrific organic performance. I was wondering if we could focus on the inorganic growth in terms of just the range of acquisitions that you recently announced. I know that you know them extremely well, Mark. I was wondering if you could give us a little bit more feel in terms of what the growth rates have been with these various organizations, either as a consolidated group or individually.

And also if you could talk a little bit about the terms that you purchased them under. Did it follow kind of the blueprint that we've talked about before, in terms of cash upfront relative to SBC and earn-outs, etc.?

Mark Vorsatz
Yeah, I would say for the most part, the basic concept is the same. We made an exception for the U.K. because the U.K., over the last five years, has had annual revenue growth of over 30%. Now, a lot of that work is coming from the network. I would say probably 85% of their work is coming from the network. We see the U.K. for us as being a potential huge market.

We currently have about eight affiliations in Consulting. We're starting discussions with those groups about merging them into the public company. I would suggest that probably over the next couple of years, we will focus on adding a law firm there. So while today in the U.K. we've about $20 million of revenue in tax, I view that as a market potential between tax, legal, and Consulting down the road as being as high as $600 million.

So we did that deal at 12 times earnings. I'm very transparent. Everybody knows the deals. Most of the deals are at 10 times earnings. We accommodate, in some ways, where maybe somebody is a little bit older, and wants a little cash sooner. But the basic construct, Mark, is the same for every deal.

As we view these deals, we view them in some markets as an ability to add other groups, systematically. So for example, we have active conversations with two Consulting groups in Mexico. Our law firm that we just added in Mexico, I've asked both the two Consulting groups that we would both waive conflicts because we could streamline those deals and get them on board. One of those Consulting groups, since they've been affiliated with us, has already done three acquisitions of their own, and so we see the ability to leverage that presence in those markets.

As far as the margins go, what I can speak more authoritatively with is what we're doing in tax and legal, globally. The growth rates last year were a little over 13%, collectively, in revenue, so not much different than the United States. The margins are pretty much all over the map, but as part of the deal, we have a contractual agreement on what their compensation in total can be as a percentage of revenue, and that is what drives the economics of the transaction.

So if you say you want to continue to take most of the money out, then it's probably a lower acquisition price that we're paying. If you want to say, "Hey, last year I made $500,000, pay me $300,000," and that's a sustainable partner compensation in our market, and we're going to capitalize on an after-tax basis the other $200,000, we do that.

Our teams now, we've been through enough deals now. We signed 16 deals. We've closed eight of those. My hope and desire is the other eight will get closed by the end of the year, but probably later in the fourth quarter. That's why we're not going to have a lot of revenue from those deals but as I indicated earlier, there's probably $100 million of revenue at least that will be from existing deals that we've already signed that will come in next year that we won't have in 2026. So, as you think about your projections, you might want to take that into consideration.

Mark Marcon
That's great. Very helpful. Thank you.

Mark Vorsatz
Did I address your question adequately, Mark?

Mark Marcon
You did. Thank you.

Operator
The next question comes from Jason Haas with Wells Fargo. Please proceed.

Jason Haas
Hey, good afternoon and thanks for taking my question. I'm curious if you could talk more about how you're integrating technology and AI into your process. Thank you.

Mark Vorsatz
Sure. Thanks, Jason. As I think I have mentioned before, we started off, about a year ago, we entered into an agreement with University of San Francisco. They have an agreement with Anthropic. We also are using Accordance in that program. We 've done four pilot programs. We did one in November, one in December. We debriefed on those. We worked with University of San Francisco on restructuring those. Jeff Malo has been running that program and doing a terrific job.

We launched our internal program on May 8. We have now trained, I think, over 500 of our people. It's a systematic process. It's both a technical and non-technical program where you actually are given projects to do, both technical and non-technical. We're seeing this, in our system. I had a technical matter last week that I used it for, which was a project that we've a fixed fee on.

It has to do with the liquidation of certain trusts, and I was able to identify a strategy on how to do that liquidation, and I used artificial intelligence to refine the technical sources and in literally an hour, I was able to draft a memorandum with all the technical sources that normally would have taken me six, eight, 10 hours.

Well, we're doing, systematically, we will move more of this to fixed pricing or project pricing. We're always going to be in time and materials because we're a relationship business and because we spend time with our clients. So, there will always be some component of our practice time and materials. However, I think we'll see systematic improvement because more of our work is going to fixed fee.

I have a current situation, right now, where we're going to do over 50 valuation projects for a client, and those valuation projects are all going to be done on a fixed fee basis. So, we want to share the efficiency with our client, but we don't want to give away the efficiencies. We think there's a way to do things much more efficient that the client saves money and we are more profitable. And that's a program that we're going to systematically implement. I'm hoping that we'll be done with it in the U.S. by the end of this year.

I'm hoping that after October 15th, which is our heavy recurring compliance time period, that we will continue to advance our strategic approach on how we implement that. It's really going to be implemented, in my opinion, in three different ways.

One is identifying client opportunities, and I've used this as an example before. Cost segregation studies. Anybody who's done an acquisition or improvement over $50 million is a huge client opportunity for cost seg study. I have one client we did a project for in December that generated a $19.9 million deduction for the client, so the client didn't have to pay any taxes last year. Huge value add.

So one is identifying those opportunities. The second is using artificial intelligence to source solutions. Then the third component is using artificial intelligence for implementation.

I sent out a note to our partners, today, that was forwarded to me by somebody that runs a litigation support practice that's part of our U.S. affiliation about some of the challenges the Big Four are having because some of the artificial intelligence solutions that are being implemented are not being done with much supervision. I can tell you there have been two firms I'm aware of outside of the United States that have been fined because of hallucinations in their work product.

So we think that it's not that artificial intelligence is going to replace us. We think that people who understand artificial intelligence are going to be people that are going to drive the marketplace. So it's a combination. There's a human component, there's a technology component, and it's something we're very focused on. We view it as a tailwind, not as a headwind.

We see it as an opportunity for us because we're not running these massive projects where you load up a bus and send people out on an audit. As I've said on numerous conversations before, in the next five years, I think our business model will go from six professionals per partner to three and a half professionals per partner, and they will be a lot more profitable. Our partners will be a lot more productive in terms of their chargeability or their client work. We think we'll have a flatter pyramid.

And I've gone through with our board about three or four months ago, an analysis on that to show them how it will drive our profitability geometrically because we make four times as much profit on a director as we do on a new associate.

So, our pyramid will continue to evolve, but we don't have 500,000 people in India that are doing compliance-type services. I think as you've seen with some of the layoffs from many of the larger firms, they got a challenge. They've got to figure out how to deploy this. I don't know what they're going to do with all these people, particularly on some of the levers types of services they have.

So, we think we're well-positioned. Jeff Malo has done a terrific job. He is all over this. We have regular conversations. He's on our U.S. internal board. He talked about this yesterday on our call. We think we're pretty well-positioned. We don't overestimate where we are, but we do think we're making systematic progress, and we're measuring it.

Jason Haas
That's great. Very helpful color. Thank you.

Operator
Thank you. At this time, I would like to turn the call back to management for closing comments.

Greg Vistica
Thank you, Latonya. Mark, Neal, would you like to make some closing comments?

Mark Vorsatz
I just want to thank everybody for attending. I want to continue to thank our partners and our people because this is a people business. Our product are our people, and they enable us to be successful. I want to thank the investors for the loyalty that you've extended. I want to thank the analysts because I've learned a lot from you guys. I've done a lot of transactions, over 40 years. I've done over 500 transactions just in our firm.

But it's continued to be a learning process. I want to thank our directors. We have an all-star board. Our board is superb. We had a call earlier, today. We are blessed to have such talented people. All five of our outside directors understand the professions. It's a refreshing conversation to have with them, and they challenge me, and I love challenges.

I love to be challenged, and they're going to continue to challenge me, and I think we have a lot of opportunity ahead of us. Neal, comments?

Neal Livingston
Yeah. Thanks, Mark. Great summary. I just want to appreciate everyone who's dialed in, today. There's a lot of you on the line. We know that and we really welcome your engagement. This is about building relationships with our investors. We are a people business, and it's important that we invest in and we build those relationships. So really appreciate your engagement. Thanks very much.

Mark Vorsatz
Take care, everybody.

Greg Vistica
Thanks, Neal.

Operator
Thank you. This does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation, and have a great day.