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COVER STORY

Brown Smith Wallace builds niche services

Group will boost its revenue by 6 percent and make it the area's sixth-largest accounting firm

BY EVAN BINNS

Five months ago, Marty Doerr joined Brown Smith Wallace as member-in-charge of tax services and said his mission was to expand the accounting firm's tax services.

So far, mission accomplished. The St. Louis-based firm recently added a four-person property tax group formerly of PricewaterhouseCoopers.

Jenna Kerwood joined Brown Smith Wallace on Sept. 1 as principal and head of the new group. She will be joined by Managers Debby Hood, Tracy Adams and Cindy Rust.

"The firm was doing property tax work but it wasn't organized into a group," Doerr said. "I saw the addition of Jenna and the group as a service that we should have here."

With annual revenue of \$1.5 million, the group will boost Brown Smith Wallace's total revenue by 6 percent and solidify the firm as the metro area's sixth-largest accounting firm based on its number of professionals, now at 189. The firm expects to top last year's revenue of \$26.5 million, and it's projecting \$30 million in 2010, according to Harvey Wallace, managing member and co-founder.

"So many companies have pulled in their horns (during 2009)," Wallace said. "We're continuing to add new resources because we're in this for the long run."

Besides adding the property tax practice, the firm hired Pam Huelsman, a 20-year tax veteran formerly with the St. Louis CBIZ office, to expand its state and local tax practice, now with eight employees.

Earlier this summer, the firm added another niche group specializing in construction audit under the leadership of Dale Helle and has grown it to five people. In addition, Brown Smith Wallace's Benefit Plans Plus unit merged with Highland, Ill.-based competitor Qualified Plan Services. That deal created a 22-person retirement plan service provider that is expected to



BRIAN CASSIDY

Jenna Kerwood, Marty Doerr and Harvey Wallace pursue niche tax work as a path to growth at Brown Smith Wallace.

generate between \$2.5 million and \$3 million in revenue this year.

FINDING A GOOD FIT

In early June, PricewaterhouseCoopers notified Kerwood that the firm had decided to exit the property tax practice nationally. "They had lost several of their key markets such as Dallas, Houston and Seattle over the past several years," she said.

After notifying her dozen clients, which are primarily in the manufacturing and telecommunications industries, that PricewaterhouseCoopers was letting the St. Louis group go, Kerwood began negotiating with national and local firms to find a new home. By August, the team had signed an offer to join Brown Smith Wallace.

"It was a good fit because the majority of our clients are based in St. Louis, and we weren't interested in making a move for some of the national firms," Kerwood said.

She said she plans to expand the property tax business by 30 percent within the next two to three years. "Ideally, I'd like to get us over \$2 million in revenue by focusing on our existing client (industries),"

she said.

Terry Putney, chief executive of Accounting Transition Advisors, a mergers and acquisition consultant based in Kansas City, said Brown Smith Wallace has expanded into non-core accounting services to gain a competitive edge over traditional firms. Niche work such as property tax is usually offered by specialty boutique firms, according to Putney. "The property tax group is out of the norm (for other firms) but that's always been Brown Smith's practice, so it's consistent with their persona," Putney said.

Putney said such niche work provides a point of differentiation for Brown Smith Wallace. "What they're saying is we can do things like property tax work that other firms can't," Putney said. "It gives them a means of developing clients through other channels."

Brown Smith Wallace is one of the more aggressive local firms when it comes to adding specialty practice groups, according to Putney. "They're always looking for growth opportunities beyond traditional (accounting) services," he said.

"As we've grown, we've found that there are additional needs in the community for some of the services that we're now able to offer," Wallace said. "This is still an opportunity to position for next year. The slowdown won't continue forever."

TOP ACCOUNTING FIRMS

FIRM	NUMBER OF PROFESSIONALS
PricewaterhouseCoopers LLP	283
RubinBrown LLP	280
KPMG LLP	265
Ernst & Young	250
Deloitte LLP	207
Brown Smith Wallace	189

Source: Business Journal research as of October 2008