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MONEY STRATEGY

Midmarket firm ready to double down during tough times



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JASON FERGUSON,
managing partner, Calvetti Ferguson

DANIEL ORTIZ/HBJ



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No. 21

Calvetti Ferguson's ranking on this year's List of largest Houston accounting firms

For some, \$30 oil means batten down the hatches and weather the storm. For Calvetti Ferguson, it's full steam ahead.

Sure, the plans have changed for some of the Houston-based accounting firm's oil and gas clients, but Calvetti Ferguson wants to use 2016 as a year to gain market share. Jason Ferguson, managing partner, outlines his plan to grow.

Calvetti Ferguson ranked No. 21 on this year's largest Houston accounting firms ranked by number of certified public accountants. For the rest of the list, turn to page 22.

How's 2016 looking for Calvetti Ferguson? We thought going into this year it'd be slow growing, but we're off to a better start than what I'd anticipated. We're big in oil and gas; the vast majority of those (clients) are upstream, and we have some downstream and midstream, as well. For those clients, they obviously have less cash available; they're much more distressed. There's been a lot of fee pressure, where they need us to cut fees to help them through this, but the activity has been about the same. We've seen fewer transactions than what we thought we might see. We

thought we'd see a little more distressed buying, and that hasn't happened yet.

Do you think that will end up happening as long as oil prices stay at \$30 a barrel? I do think it's coming. The banks have been willing to work with the oilfield service companies a lot more than what people anticipated. When you talk to banks, their collateral is all the equipment and assets and they don't want to have to recover these assets all over God's green earth and get them shipped to Ritchie Bros. Auctioneers and fire-sell them.

(The banks have) been giving more leash than what everyone thought they would, but they're going to run out of rope at some point this year, and that's when we're going

to see more transactions, more distressed acquisitions.

Does the industry have any room to get leaner and make more cuts? On the E&P side, they're getting as close to being as lean as they can get without neglecting assets or having to walk away.

On the oilfield services side, they're as lean as they can get. They're already sacrificing into maintenance. Now when oilfield service companies have to do a repair, they're tearing parts off idle equipment and using it instead of buying new parts. When you're doing that, you're as lean as you can get. I don't know that there's too much more they can squeeze out.

Everyone's big fear is that this will all have an ancillary impact on the industries that work around oil and gas. Obviously, the accounting industry is one facet of that. Has it started to have an impact on your work yet? It has (reached that point). It's a bit of a layered or waterfall effect. There's some portion of the accounting business that is required. If someone is getting audited, it's – most of the time – because someone required it, whether it be the SEC, bank or private equity. There's a reason for it. Everyone has to file tax returns; they're not able to opt out of that just because it's a rough year. That portion of the business never goes away, but what's happening there is

significant fee pressure.

About 50 percent of our clients are private equity-backed, so we are working them. They come to us saying, "We need a haircut on the audit or tax returns fees this year because we're laying off everyone, asking management to take pay cuts, so it's only prudent for us to go to our vendors and ask them to take a haircut."

The other layer, there are companies using the Big Four (accounting firms) because they liked having the name on their opinion or return. They were paying a premium and it was OK because everyone was making money and cash was flush. Now that it's not, they're saying they don't need that, and they're coming to us and other mid-market firms, so we're seeing a pickup in business coming down from the Big Four.

You're largely an oil and gas accounting firm, but you do have some presence in health care and real estate. How are those markets today? Our health care business – we lump manufacturers and distributors that manufacture medical devices and health care product – is doing well, still holding its own and growing. Real estate and construction is doing fine now, but I think as the year goes on, we're going to see challenges in our real estate and construction area.

I really think 2017 is when real estate construction will be challenged for us.

Considering this current climate, from the energy industry to real estate, is Calvetti Ferguson focusing on more of a holding-pattern year? No. This is an opportunity for us because when companies are looking for creative ways to save money and bridge a gap in the downturn, that means they're open to new service providers. It's an opportunity for us to go get market share. These companies are evaluating their audit and tax firms; they're open and willing to have conversations about whether we can do a better job at a better price.

It also gives us an opportunity to buy other firms and acquire others in the market we're in because other firms aren't able to take advantage of that opportunity.

We'll be more aggressive getting into other markets in this current economy. We're actively looking at acquiring firms in other cities.

How far away is that from happening? Will Calvetti Ferguson make an acquisition in the next couple months? There's one that could happen in the next three months. That's not in Houston. We have an office in San Antonio, and there's a group in San Antonio we may be able to close in the next three months. We're actively looking in Dallas-Fort Worth, Denver and Pittsburgh.

This interview has been edited for length and clarity.



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LARGEST HOUSTON-AREA ACCOUNTING FIRMS

RANKED BY NUMBER OF CERTIFIED PUBLIC ACCOUNTANTS IN THE HOUSTON AREA

	Company Name Website	Address Phone	Local CPAs	Local FTE Employees	Global Revenue FY 2015	Top Local Executive	Headquarters Year Founded Locally
1	PricewaterhouseCoopers LLP ② pwc.com	1000 Louisiana St., #5800 Houston, TX 77002 713-356-4000	648	1,635	\$35.4 billion	Niloufar Molavi, greater Houston market managing partner and vice-chair, U.S. energy leader niloufar.molavi@us.pwc.com	New York 1938
2	Deloitte LLP and its subsidiaries ① deloitte.com	1111 Bagby St., #4500 Houston, TX 77002 713-982-2000	535	1,911	\$35.2 billion	Anne Taylor, vice chair/managing partner, Gulf Coast ataylor@deloitte.com	New York 1946
3	Ernst & Young LLP ③ ey.com	5 Houston Center, 1401 McKinney St., #1200 Houston, TX 77010 713-750-1500	435	1,557	\$28.7 billion	Deborah Byers, Houston managing partner deborah.byers@ey.com	New York 1918
4	KPMG LLP ④ kpmg.com/us	811 Main St., #4500 Houston, TX 77002 713-319-2000	262	1,125	\$24.44 billion ¹	Tandra Jackson, office managing partner ²	New York 1937
5	BDO USA LLP ⑤ bdo.com	2929 Allen Pkwy., 20th Fl. Houston, TX 77019 713-960-1706	202	616	\$1.05 billion	Kevin Hubbard, audit office managing partner khubbard@bdo.com; Eric Self, tax managing partner eself@bdo.com	Chicago 1961
6	Grant Thornton LLP * grantthornton.com	700 Milam St., #300 Houston, TX 77002 832-476-3600	108	307	\$1.45 billion ³	Michael Bennett, Houston office managing partner michael.bennett@us.gt.com	Chicago 1968
7	RSM US LLP ⁴ ⑦ rsmus.com	1400 Post Oak Blvd., #900 Houston, TX 77056 713-625-3500	101	188	\$1.64 billion	Tom Rourick, office managing partner Tom.rourick@rsmus.com	Chicago 1977
8	BKD LLP ⑥ bkd.com	2800 Post Oak Blvd., #3200 Houston, TX 77056 713-499-4600	100	165	\$512 million	Kimberly McKay, Houston managing partner ⁵ kmckay@bkd.com	Springfield, MO 2001
9	Briggs & Veselka Co. ⁶ ⑧ bvccpa.com	9 Greenway Plz., #1700 Houston, TX 77046 713-667-9147	87	175	\$30.57 million	John Flatowicz, president/managing shareholder jflatowicz@bvccpa.com	Houston 1973
10	Weaver and Tidwell LLP ⁷ ⑩ weaver.com	24 Greenway Plz., #1800 Houston, TX 77046 713-850-8787	62	159	\$95.1 million	John Mackel, managing partner/CEO	Fort Worth 1975
11	Pannell Kerr Forster of Texas PC (PKF Texas) ⑨ pkftexas.com	5847 San Felipe, #2400 Houston, TX 77057 713-860-1400	52	125	\$23.5 million	Kenneth Guidry, president kguidry@pkftexas.com	London 1992
12	Melton & Melton LLP ⑪ melton-melton.com	6002 Rogerdale Rd., #200 Houston, TX 77072 281-759-1120	48	104	NA	H. Palmer Melton, co-managing partner pmelton@melton-melton.com	Houston 1963
13	Harper & Pearson Company PC ⑫ harperpearson.com	1 Riverway, #1900 Houston, TX 77056 713-622-2310	43	76	NA	Richard Lynch, CEO/managing shareholder rlynch@harperpearson.com	Houston 1962
14	Doeren Mayhew ⑭ doeren.com	1 Riverway, #1200 Houston, TX 77056 713-789-7077	34	82	\$66.9 million	Timothy Moore, managing shareholder moore@doeren.com	Troy, MI 1984
15	Weinstein Spira & Company PC ⑮ weinsteinspira.com	3 Greenway Plz., #1700 Houston, TX 77046 713-622-7000	33	70	NA	Dianne Peckham, president/managing shareholder dp@weinsteinspira.com	Houston 1962
16	EEPB PC ⑰ eepb.com	2950 N. Loop W, #1200 Houston, TX 77092 713-622-0016	32	75	NA	Steven Parkhill, president/managing director steve.parkhill@eepb.com	Houston 1987
17	Whitley Penn LLP ⑱ whitleypenn.com	3411 Richmond Ave., #500 Houston, TX 77046 713-621-1515	32	64	\$72.9 million	Larry Autrey, managing partner larry.autrey@whitleypenn.com	Fort Worth 1975
18	McConnell & Jones LLP ⑲ mcconnelljones.com	4828 Loop Central Dr., #1000 Houston, TX 77081 713-968-1600	27	65	NA	Ira McConnell, managing partner	Houston 1987
19	Ham, Langston & Brezina LLP ⑳ hlb-cpa.com	11550 Fuqua, #475 Houston, TX 77034 281-481-1040	26	70	\$8 million	Robert Brezina, partner brezina@hlb-cpa.com	Houston 1995
20	Hein & Associates ㉓ heinca.com	500 Dallas St., #2500 Houston, TX 77002 713-850-9814	24	75	\$53.69 million	Kenny Grace, office managing partner kgrace@heinca.com	Denver, CO 1984
21	Calvetti Ferguson calvettiferguson.com	1201 Louisiana St., #800 Houston, TX 77002 713-957-2300	22	56	NA	Jason Ferguson, managing partner jferguson@cfw-cpa.com	Houston 2003
22	Mohle Adams ㉔ mohleadams.com	3900 Essex Ln., #1000 Houston, TX 77027 713-629-1381	21	42	\$8.02 million	Connie Estopinal, managing partner cestopinal@mohleadams.com	Houston 1946
23	MiddletonRaines+Zapata LLP ㉕ middletonraines.com	9235 Katy Fwy., #400 Houston, TX 77024 713-955-1123	19	61	\$9 million	F. Wesley Middleton, partner wmiddleton@middletonraines.com; Stan Raines, partner sraines@middletonraines.com; James Zapata, partner jzapata@middletonraines.com	Houston 2012
24	GBH CPAs PC ㉖ gbhpcas.com	6002 Rogerdale Rd., #500 Houston, TX 77072 713-482-0000	19	40	\$7.2 million	Jeff Houston, shareholder/CEO jhouston@gbhpcas.com	Houston 2007
25	MaloneBailey LLP ㉗ malonebailey.com	9801 Westheimer Rd., #1100 Houston, TX 77042 713-343-4286	16	51	\$11.78 million	George Qin, audit partner/executive committee member gqin@malonebailey.com	Houston 1982