



Bought not built:

What Xeinaadin and a failed exit reveals about the true cost of fragmentation

When Exponent began positioning Xeinadin for sale, the ambition was clear. A platform of more than 100 acquired accounting practices, built through aggressive consolidation, was being pitched to the market at a valuation north of £800 million, potentially reaching £1 billion. The story was one of scale, reach, and roll-up momentum but the market told a different story. Bids fell well short of the target and the auction was paused. What had been presented as a premium platform was instead subjected to a premium discount. Understanding why that happened, and what it means for the wider accounting consolidation space matters far beyond Xeinadin itself.

Before we get into the detail, I should declare that we have no direct experience of working with Xeinadin or any of its subsidiaries. We're listening to other partners and reading articles generally available in the media.



The “Becoming Problem” – A shared logo doesn’t create a *shared enterprise*

For years, the firm’s growth was announced through a familiar kind of headline: another practice had joined Xeinadin. The language of transformation was everywhere. Firms were joining, combining, evolving and the narrative of “becoming” was relentless. However, becoming is not the same as integrating and integration is not the same as cohesion.

Exponent’s valuation thesis rested on scale and the logic of multiple arbitrage: acquire firms cheaply, aggregate them into a larger platform and sell the platform at a higher earnings multiple than the sum of its parts. It is a legitimate strategy and it has worked elsewhere but it relies on the critical assumption that the platform is genuinely more valuable than the sum of its parts. Buyers in the Xeinadin process were not convinced that assumption held.



Their concern was the “*Frankenstein effect*”, the risk of inheriting a business stitched together from more than 100 practices, each with its own systems, workflows, billing logic and operational culture. The question was not whether the individual firms were profitable. Most were. The question was whether the group had actually become a single cohesive entity, or whether it remained many things sharing a logo.

What Xeinaadin built, at pace and at scale, was a collection of firms, some not hugely profitable, operating beneath a shared brand, taking cover under the umbrella of Xeinaadin but each functioning as a separate legal and operating entity. Often these firms retained separate:

- Practice management systems
- General ledger
- HR platform
- Partner remuneration model
- Brand (at least initially)



According to most commentators, what it did not build, or did not build convincingly enough, was a unified enterprise. This pure accumulation model results in:

- High fragmentation
- Diversity of systems

Difficult consolidation of:

- WIP
- Debtors
- Utilisation & productivity metrics
- Margin reporting
- A rapidly compounding technical debt

When buyers arrived with their due diligence teams that assessment defined everything and made many headlines.



What the market *actually* priced

Private equity appetite has shifted in recent years. PE firms are attracted to scale because it implies greater capability to combat competitive threat, but they won't add size just for the sake of it. They are more focused on quality of operations, integration and the ability to absorb further acquisitions without compounding existing complexity. Aggressive roll-ups built on volume rather than operational coherence can find themselves on the back foot in that environment. Xeinaidin found itself on the back foot, and the result was a valuation gap the seller would not accept and a sale that did not close.



Technical debt as *strategic liability*

There is an uncomfortable truth that keeps resurfacing in PE-backed professional services consolidations: technical debt does not sit quietly in the background. It compounds and eventually dictates the outcome. At a certain point, it doesn't matter how ambitious management is, how compelling the growth story sounds, or how confident the multiple-arbitrage model appears. The drag created by fragmented systems, inconsistent data and partial integration begins to outweigh intent.

Brian Coventry, Founder of Symphony365, has been making this point for years in his speaking engagements on digital transformation and enterprise platforms. His position is direct: technical debt is not an IT issue; it is a strategic liability. It constrains speed, increases execution risk and quietly erodes value long before anyone labels it a problem.

In other words, technical debt doesn't just coexist with ambition, it can surpass it. And when it does, execution becomes constrained, valuation becomes discounted and the exit narrative becomes harder to sustain.



Different approaches can work – it's not *one-size fits all*

If we look at other sectors where industry consolidation has taken place (e.g. print media), there are some parallels. Some PE investors took a passive investment approach, seeing their involvement more as a portfolio stake. In these cases, they rarely take a majority stake, and their Board role is often limited to Governance. Their acquisitions achieved some gains through resource sharing, but they were only loosely coupled. Let's call these "Portfolio" players. Some were extremely profitable, at least for a while.

Other PE investors were determined to own most if not all the equity, gain leadership control and then implement deep integration with branding, culture and technical platforms deployed consistently and universally across the entire estate. Generally, these created the greatest gains, although there were some which were poorly executed and did badly. Let's call these types of PE approach "Operators".



The pattern in accounting roll-ups has some basic consistencies:

A PE investor acquires a firm or group of firms often somewhat stitched together with legacy practice management systems, local general ledgers, bespoke billing workflows and spreadsheet glue. On day one, it often feels good enough. The firms are profitable, partners are busy and clients are sticky. They've made some de-duplication savings (e.g. you only need one CIO) and driven some procurement savings through volume.

At this point, Portfolio players might ask, why rock the boat?

The answer, the one that arrives too late, is that the boat is already taking on water. Slowly, invisibly and cumulatively. By the time the leaks are visible - inconsistent margins, opaque reporting, duplicated overhead and uneven client experience - the cost of fixing it is too high.

What once felt "good enough" becomes structurally fragile and when it's time to exit that investment, potential buyers don't just see scale they see the patchwork.

That's when the discount is applied not because the firms lack quality but because the platform lacks integration.



The Xeinadin problem that the media have enjoyed so much, is not that the whole is now worth less than the parts – far from it. The media have perhaps just enjoyed seeing them humbled. The reality is that if they had got a deal away at £750m (achievable by the sounds of it), they would have at least doubled or tripled their investment in these firms.

Not a bad day's work for a Portfolio model describing itself as an Operator.

The *Slow* Bleed

Operationally, fragmented finance and practice management platforms create friction everywhere but rarely in ways that trigger an immediate crisis.

Management teams spend disproportionate time reconciling numbers rather than running the business. WIP, billing, utilisation and margin are all technically available but never quite comparable across firms. Reporting becomes an exercise in interpretation rather than insight.



Every acquisition adds another exception. Different time taxonomies, billing logic, write-up and write-down behaviours, definitions of productivity. At a local level, people work around it. At group level, the platform never really emerges. Technical debt shows up as:

- slower integration timelines
- higher reliance on key individuals
- custom interfaces no one wants to touch
- and a growing backlog of problems deferred to later

Critically for private equity, it limits operational leverage and the efficiency flywheel that was underwritten never arrives. Headcount creeps upward. Central teams grow. Margins plateau earlier than planned. This is the slow bleed. It does not appear on a single line in the accounts. It accumulates in the gap between what the platform was supposed to deliver and what it actually does. The business continues to function but the platform never quite emerges.

The *reckoning* at exit

The real damage generally only becomes measurable when a flip is required.

When exit approaches, deferred integration problems become visible and the question is no longer whether to modernise but whether there is still time to do so on your own terms.



Buy-side due diligence teams start with:

- systems architecture
- data consistency
- the scalability of finance and practice management platforms
- the ability to absorb further acquisition

If the core finance platform is still fragmented with multiple legacy systems feeding multiple general ledgers the enterprise story weakens rapidly. What should have been a value-creation narrative becomes a risk narrative and at exit, the market prices what was actually built – not what was meant to be built.

This is precisely the scenario Coventry warns about: technical debt does not kill deals early, when there is still time. It kills them late, when pressure is highest and choices are fewest. The Operator exit is a case study in exactly that sequence.



The *hard truth* for roll-ups

The hardest part for everyone is accepting what this means.

If an Operator model PE house fails in its consolidation effort to build a unified operational core then the enterprise never really exists and the business becomes a collection of firms with a shared logo. It looks like an Portfolio with a lick of paint. The business becomes:

- a cluster of firms
- sharing a brand
- sharing a P&L
- but not sharing a scalable foundation

Premium multiples rely on

- unified data
- comparable metrics
- standardised workflows
- scalable infrastructure



Modernising onto a coherent platform is not about technology elegance but preserving strategic freedom. When exit approaches, technical debt always gets called in and the main question is whether the business pays it down on its own terms or lets the market do it at a discount.

For any accounting group considering consolidation, or already sitting inside one, it is worth paying attention if any of this feels familiar. An Operator-led firm that holds together by design, not by effort, avoids the kind of reckoning that fragmented groups eventually face. It enters exit conversations with a unified platform, comparable data across the business and a credible enterprise narrative. It addresses technical debt on its own timeline, not when the market forces the issue.

In the next article, we will explore how Symphony365 is collaborating with medium and large firms to orchestrate a cohesive, future-ready operating strategy, while also highlighting the ongoing work of our PM Evolution Executive Forum, where senior leaders come together to test ideas, challenge assumptions and collectively shape the evolution of the modern firm. If the challenges discussed here resonate, the next piece turns firmly to execution, focusing on how firms can address them with clarity and conviction.



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