William Blair

Equity Research
Global Services | Consulting

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Industry Report

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IN PARTNERSHIP WITH

WINDING RIVER CONSULTING

Accounting Services

William Blair's Inaugural Executive Survey

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Executive Summary

The accounting services industry is massive, but with few exceptions (i.e., CBIZ), almost entirely privately held. As such, there are limited publicly available data points on the industry to help inform investors, companies, and other industry stakeholders as to the key trends impacting the industry on both short- and medium-term bases. With this in mind, and in partnership with Winding River Consulting, we conducted an extensive survey of accounting services executives—77% top executives (i.e., president, CEO, or managing partner) and 17% in another executive management role—on a variety of key industry dynamics, including organic revenue growth, pricing, the talent environment (including compensation), technology, the use of non-U.S. labor, and M&A, with insights on both backward- and forward-looking bases, where appropriate. Key highlights from our inaugural survey include the following:

- **Organic Revenue Growth.** We estimate organic revenue growth across the group was 8.8% in 2024. Adjusting for firm size (i.e., giving more weight to larger firms' growth rate) to better reflect the total industry growth rate during the period, we estimate organic revenue growth of 6.7% in 2024. Looking ahead to 2025, survey respondents expect organic revenue growth of 9.2%, or 8.4% adjusted for firm size. Consulting and client accounting services (CAS) are expected to be the primary drivers of growth acceleration over the next 12 months.

- **Price Realization.** We estimate realized price increases of 5.4% in 2024 across the group, with modestly lower increases expected in 2025 (4.3%) and over the next three to five years (4.5%). Smaller firms and firms that have taken on external capital (e.g., private equity) have relatively greater conviction in their ability to realize price increases going forward.

- **Talent Environment and Compensation.** Talent attraction and retention pressures eased significantly in 2024 compared to the tight labor market experienced over the preceding two- to three-year period. Executives expect compensation increases to remain at strong levels over the next several years. We believe increased usage of technology will help offset these margin pressures.

- **Technology.** Rather predictably, accounting services executives expect to increase their investment in technology over the next three to five years, with 65% of respondents indicating a "significant increase" over that time frame. Margin expansion and the ability to spend more time on higher-value projects were ranked as the top two benefits. Large firms and firms with external capital have more ambitious technology investment plans.

- **Non-U.S. Labor.** We believe there is a long runway for increased usage of non-U.S. labor going forward, and survey respondents seem to agree; 80% of respondents expect to either modestly increase (40%) or significantly increase (40%) their use of non-U.S. labor over the next three to five years.

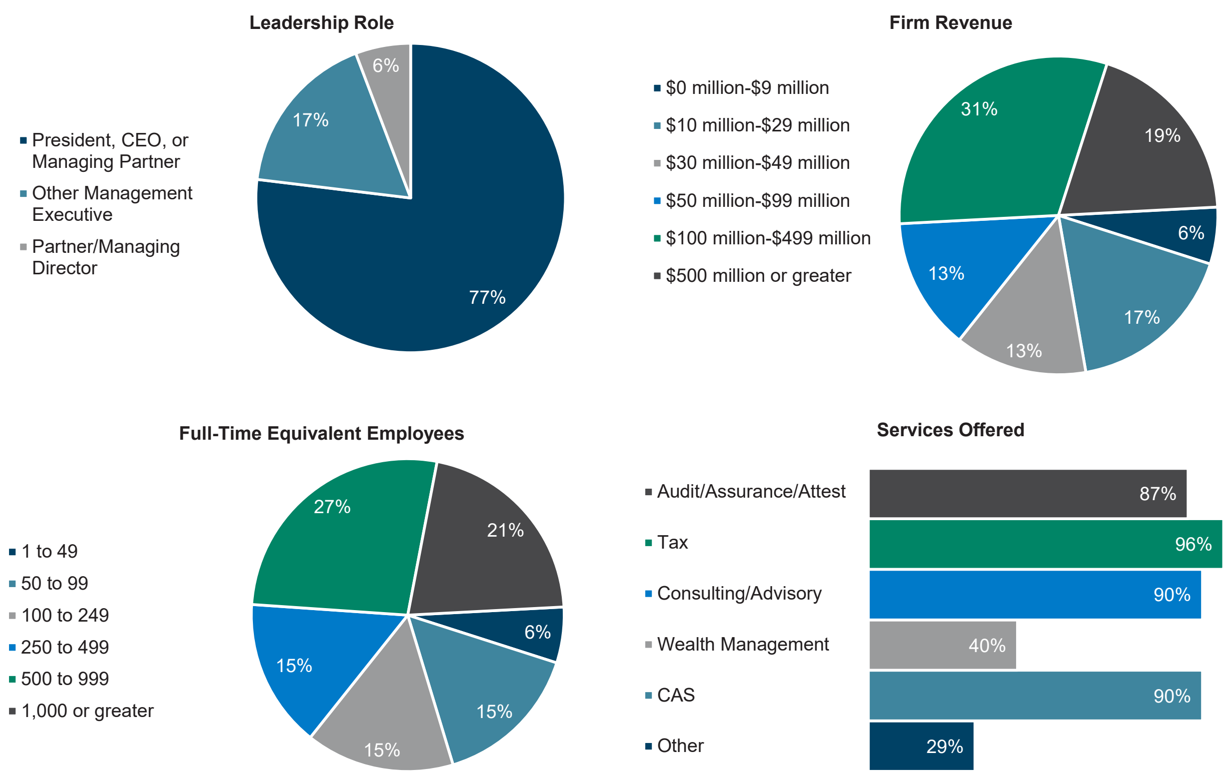
- **M&A.** M&A is a key growth strategy for the majority of firms in our population. Multiples have trended higher in the past few years, and some respondents cited evolution in deal structures (e.g., increased upfront cash payment) over the same time frame.

Respondent Profile and Methodology

In our inaugural accounting services survey, we anonymously polled industry executives across a wide array of firm sizes and capabilities. Especially important to the value and signal of the survey, in our view, is its focus on top decision-makers across the accounting services landscape. To this point, 77% of the 52 survey respondents are the top executive at their respective firm (i.e., president, CEO, or managing partner), with an additional 17% of respondents in some other executive management role. We believe top decision-makers and other high-level executives are best-positioned to provide a holistic view of their firms across all service lines and key strategic considerations.

As shown in the exhibit below, our respondents ranged from firms with under $10 million in revenue all the way up to some of the U.S.'s largest CPA firms with over $500 million in revenue. While these firms are sure to have vastly varied capabilities and internal investment ability, most offer the same core services to their clients, namely audit, tax, advisory, and CAS. Some firms also offer tangential services such as wealth management, litigation support, and certain HR capabilities (e.g., payroll), but these offerings are less standardized across the industry. Of the 52 respondents, it is worth noting that 11 (21%) indicated that they have received financial backing from external capital (e.g., private equity), a rapidly evolving trend that we have written extensively about in previous reports, including our February 2022 report, Accounting Services: Accelerating M&A Activity, Private Equity Interest, and our December 2023 report, Accounting Services: Assessing the M&A Runway.

Exhibit 1
William Blair's Inaugural Accounting Services Executive Survey
Respondent Profile



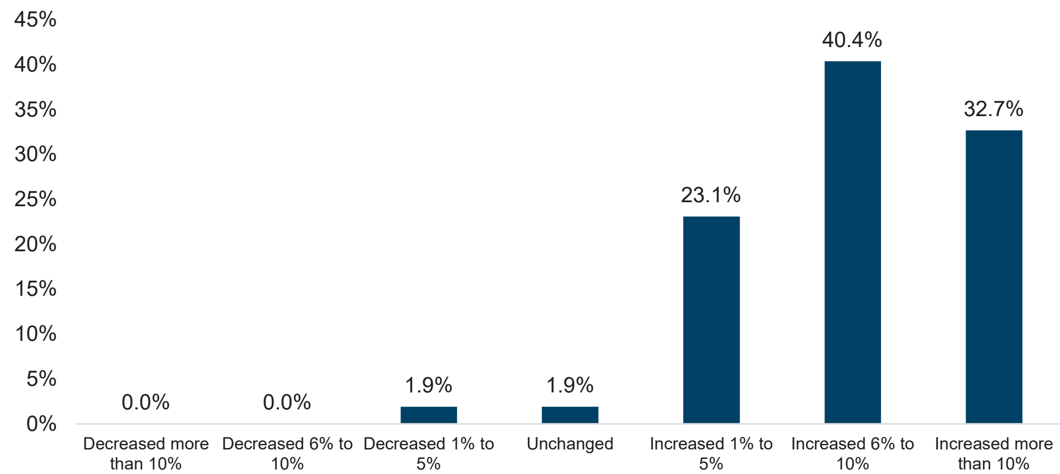
Notes: 11 of 52 respondents reported backing from external capital (e.g., private equity). "CAS" stands for Client Accounting Services.
Source: William Blair Equity Research

In the following pages, we summarize executives' views on a variety of near- and medium-term trends, including organic revenue growth, pricing, the talent environment (including compensation), technology, the use of non-U.S. labor, and M&A, with insights on both a backward- and forward-looking basis, where appropriate.

Organic Revenue Growth

Survey respondents experienced strong organic revenue growth in 2024. Over 73% of respondents saw at least 6% organic growth at their firm, while another 23% experienced low- to midsingle-digit growth. Just one respondent experienced flat organic revenue growth during the year, and just one respondent saw organic declines over the last 12 months.

Exhibit 2
William Blair's Inaugural Accounting Services Executive Survey
Organic Revenue Growth (LTM)

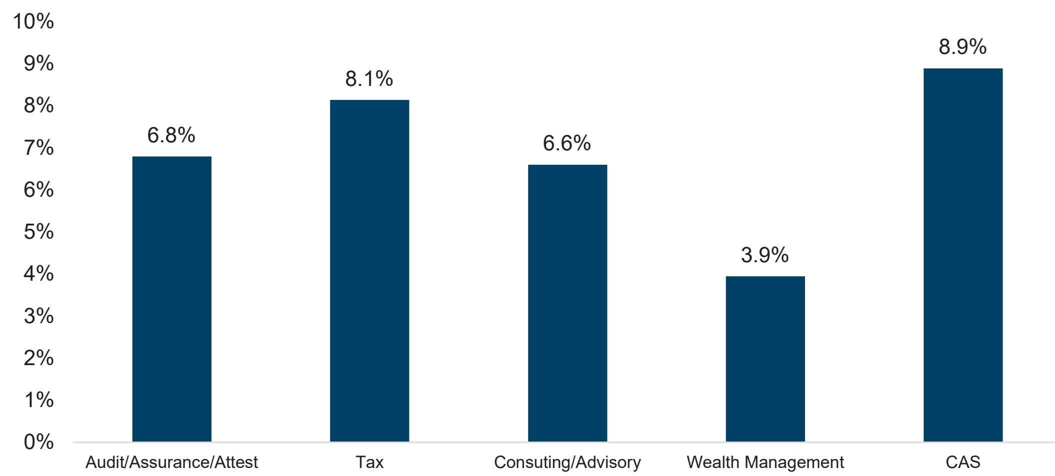


Source: William Blair Equity Research

To get a rough estimate of respondents' growth experience, we assigned an estimated growth rate based on the range selected by each respondent. Responses of "increased more than 10%" or "decreased more than 10%" were assumed to be equal to a growth expectation of 15% and a loss expectation of 15%, respectively; responses of "increased 6%-10%" or "decreased 6%-10%" were assigned growth estimates of 8% and loss estimates of 8%, respectively; responses of "increased 1%-5%" or "decreased 1%-5%" were assigned growth estimates of 3% and loss estimates of 3%, respectively; for "unchanged" responses, we assumed zero growth. While the weighting methodology is rough and inexact, we believe it provides a simplified snapshot of the growth experience across firms. On this basis, we estimate organic growth across the group was 8.8% in 2024. Adjusting for firm size (i.e., giving more weight to larger firms' growth rate) to better reflect the total industry growth rate during the period, we estimate organic revenue growth of 6.7% in 2024.

At the practice level, we applied the same weighting methodology to determine which practices performed best in 2024, as shown in the exhibit below. CAS and tax services were the strongest growing service lines at over 8% growth, while audit and advisory services also delivered solid growth at 6.8% and 6.6%, respectively. These results are broadly in line with our recent analysis of private accounting firm financial results for fiscal 2024, which showed strong performance in core accounting services and consulting and advisory businesses lagging behind historical averages. That said, our survey's respondents indicate significantly better performance in advisory lines than Big 4 firms' experience in the trailing fiscal year.

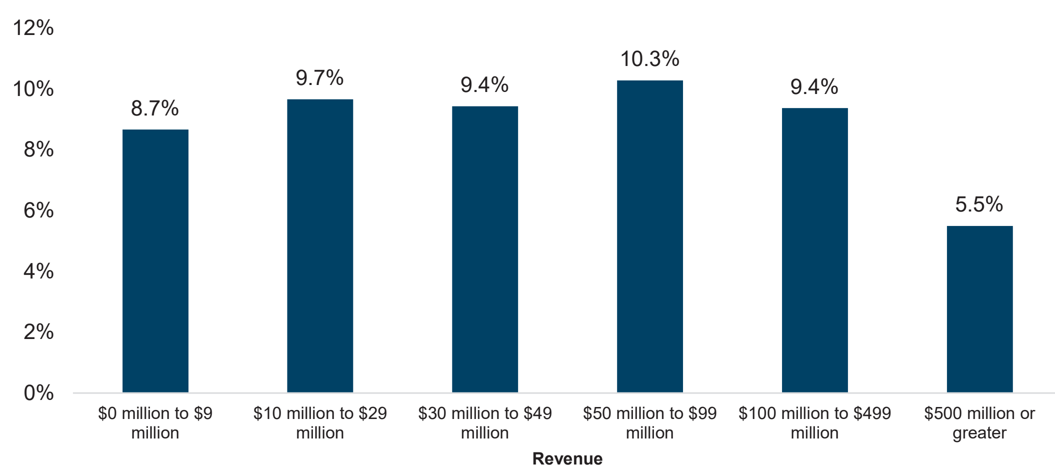
Exhibit 3
William Blair's Inaugural Accounting Services Executive Survey
Practice-Level Weighted Average Organic Revenue Growth (LTM)



Source: William Blair Equity Research

By firm size, respondents at smaller firms saw faster growth compared to those at firms with over $500 million in revenue. While we acknowledge that the law of large numbers alone often means it is easier for smaller firms to show stronger growth rates, we were still impressed by near double-digit growth, on average, for firms under the $500 million threshold. We also note that respondents who indicated their firm has received an investment from external capital (e.g., private equity) reported weighted average growth of 9.6%, compared to 8.5% for those that have not received an external capital investment.

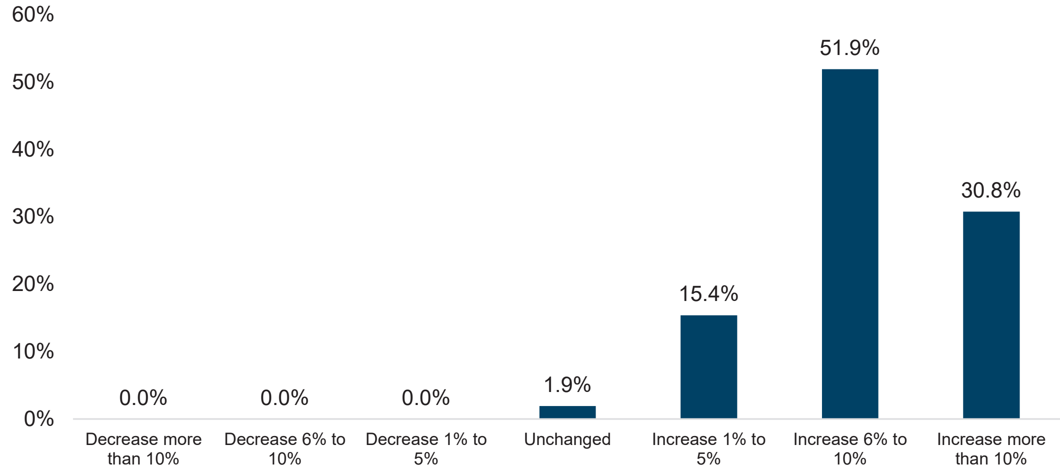
Exhibit 4
William Blair's Inaugural Accounting Services Executive Survey
Weighted Average Organic Revenue Growth by Firm Size (LTM)



Source: William Blair Equity Research

Looking forward to 2025 and using the same organic revenue growth weighting methodology described above, respondents expect an acceleration of growth to 9.2%. Of these respondents, zero expect organic revenue to decline and only a single respondent expects revenue to remain flat, while the majority anticipate midsingle- to double-digit growth over the next 12 months. We also note that firms with external financial sponsors expect significantly higher organic growth in 2025, at a rate of 11.2%, compared to 8.7% for non-sponsored firms.

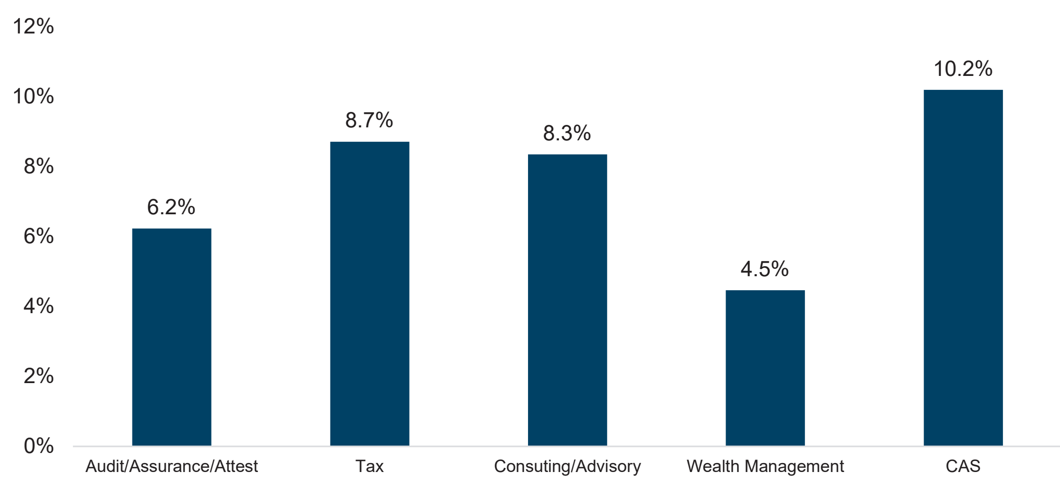
Exhibit 5
William Blair's Inaugural Accounting Services Executive Survey
Organic Revenue Growth Expectations (NTM)



Source: William Blair Equity Research

At the practice level, CAS is expected to grow double digits in 2025, followed by tax, consulting, and audit. Wealth management services are expected to grow more modestly. The growth expectations for audit and tax services are well above what we have observed at the Big 4 over a longer time frame, while consulting expectations are mostly in line with average performance over the past decade among the Big 4.

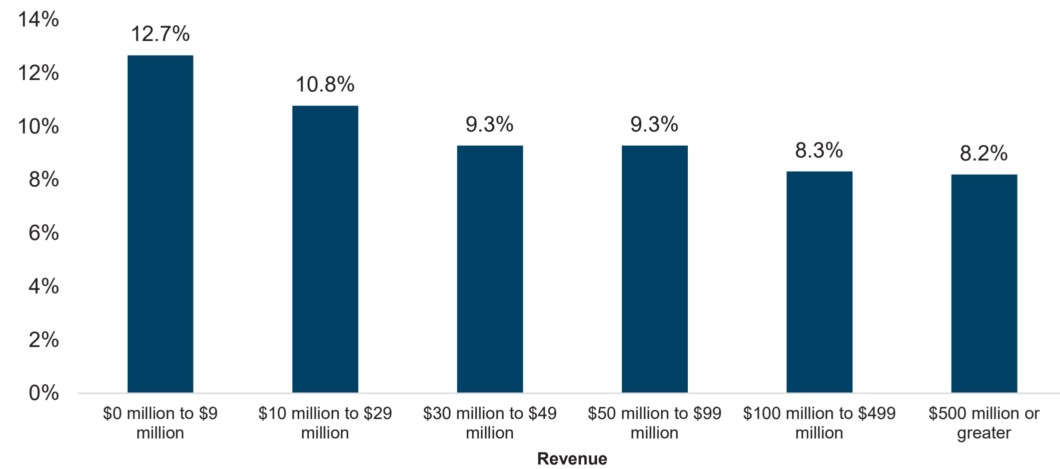
Exhibit 6
William Blair's Inaugural Accounting Services Executive Survey
Practice-Level Weighted Average Organic Revenue Growth Expectations (NTM)



Source: William Blair Equity Research

Looking at 2025 growth expectations by firm size, we see a steady tapering of growth expectations as firms get larger, as shown below. Consequently, if we adjust expectations for firm size (i.e., giving more weight to larger firms' growth rate), we estimate organic revenue growth expectations of 8.4% for 2025 (versus the 9.2% average described above); we believe this is a better representation of the expected growth rate for the overall industry in 2025.

Exhibit 7
William Blair's Inaugural Accounting Services Executive Survey
Expected Weighted Average Organic Revenue Growth by Firm Size (NTM)

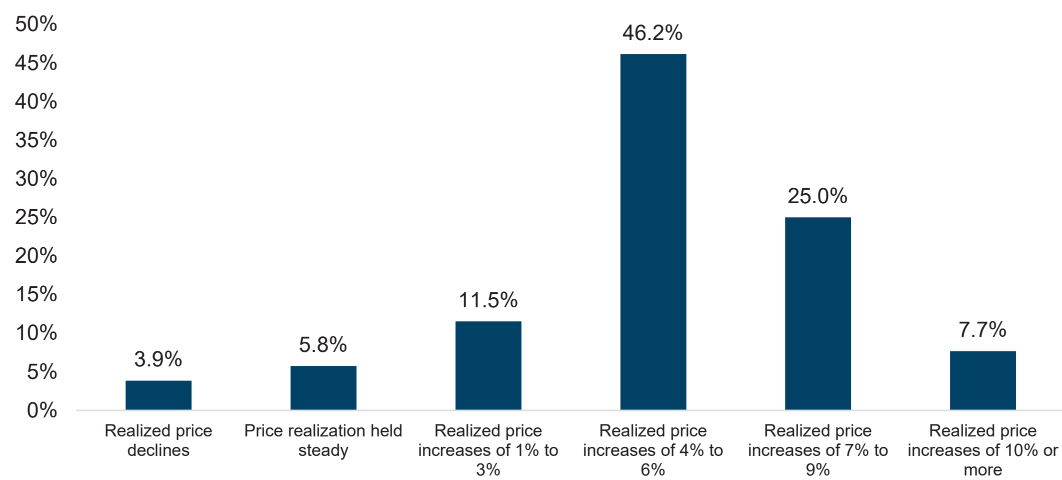


Source: William Blair Equity Research

Price Realization

Based on our survey, pricing made a solid contribution to organic growth in 2024. Based on our industry conversations, we believe this continues a strong pricing trend from the preceding two- to three-year period, aided by inflationary pressures.

Exhibit 8
William Blair's Inaugural Accounting Services Executive Survey
Realized Price Increases (LTM)



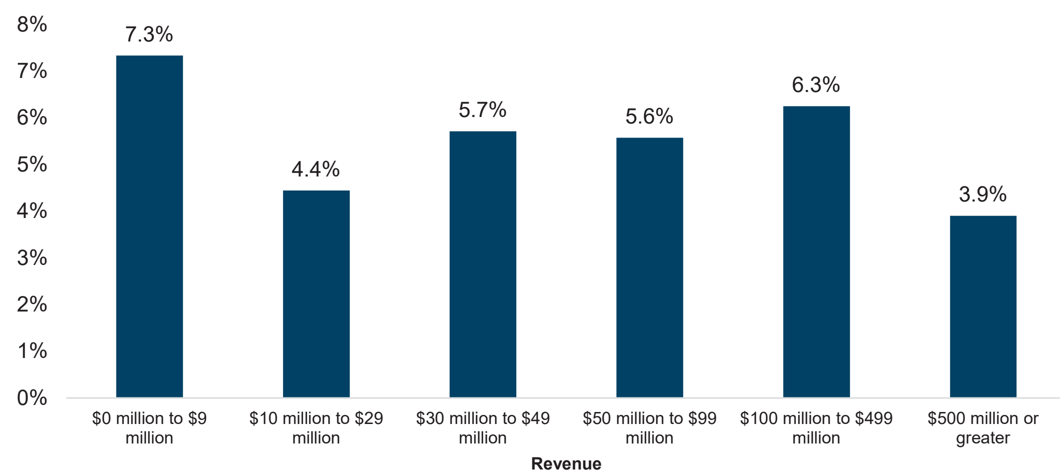
Source: William Blair Equity Research

We utilized a similar weighting methodology to get a rough estimate of firms' pricing experience over the last 12 months. In this category, responses of "realized increases of more than 10%" were assumed to be equal to a growth expectation of 12%; responses of "realized increases of 7%-9%" were assigned a growth estimate of 8%; responses of "realized increases of 4%-6%" were assigned a growth estimate of 5%; responses of "realized increases of 1%-3%" were assigned a growth estimate of 2%; "realization held steady" responses were assumed to predict zero change; and "realized price declines" responses were assigned a decline in pricing of 2%. On this basis, respondents indicated strong weighted average price increases of 5.4% in 2024, with nearly 80% of all respondents indicating price increases of 4% or higher.

While not a perfect comparison, an average of 65% of respondents in our specialty consulting survey (Specialty Consulting Survey and Preview: Fourth Quarter 2024) saw an increase in bill rates across 2024, compared to over 90% in our accounting services survey. We believe this further highlights the mission-critical nature of accounting services and the entrenched customer relationships inherent to the industry, particularly relative to other professional services businesses.

Among firms of different sizes, price realization was somewhat mixed, with larger firms generally realizing a smaller percentage of increases than smaller firms. While we believe large firms likely have advantages when it comes to the sophistication of their pricing efforts, we suspect that is at least somewhat offset by 1) the likelihood that per-client spend is larger (in absolute dollars) at larger firms and 2) larger clients likely have more bargaining power than small clients. Improved pricing discipline is one area in which we would expect private equity-backed firms to have an advantage; our survey confirms this suspicion with weighted average price realization of 6.5% at these firms, relative to 5.1% realization at non-sponsored firms.

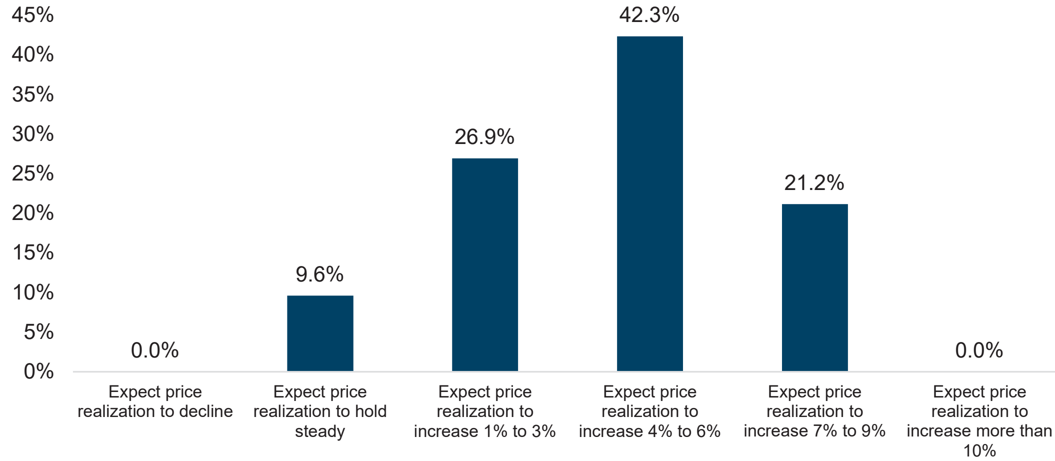
Exhibit 9
William Blair's Inaugural Accounting Services Executive Survey
Weighted Average Price Realization by Firm Size (LTM)



Source: William Blair Equity Research

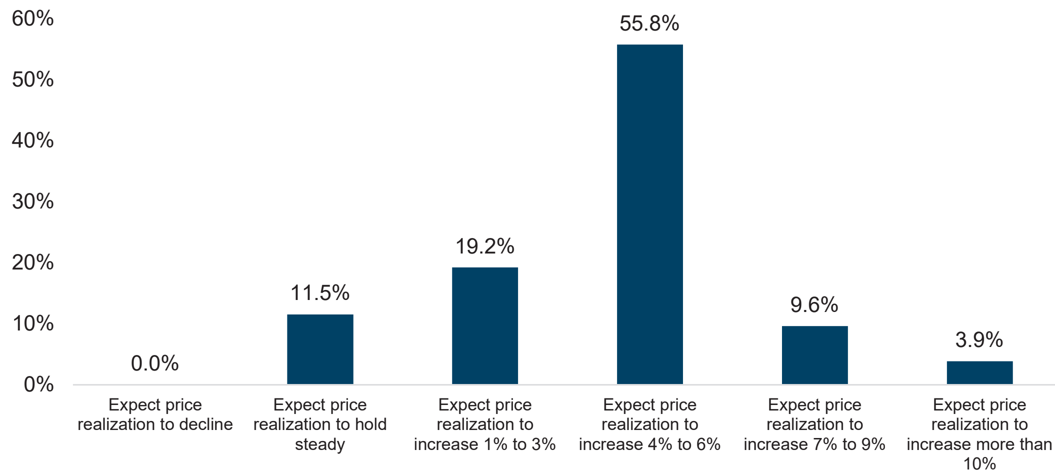
Using the same weighting methodology described above, respondents indicated that they expect, on average, a 4.3% increase in price realization in 2025, followed by an annual average of 4.4% over the next three- to five-year period. This would represent continued normalization in the pricing environment following a few years of incredibly strong realization alongside continued moderation in inflationary pressures.

Exhibit 10
William Blair's Inaugural Accounting Services Executive Survey
Expected Price Realization (NTM)



Source: William Blair Equity Research

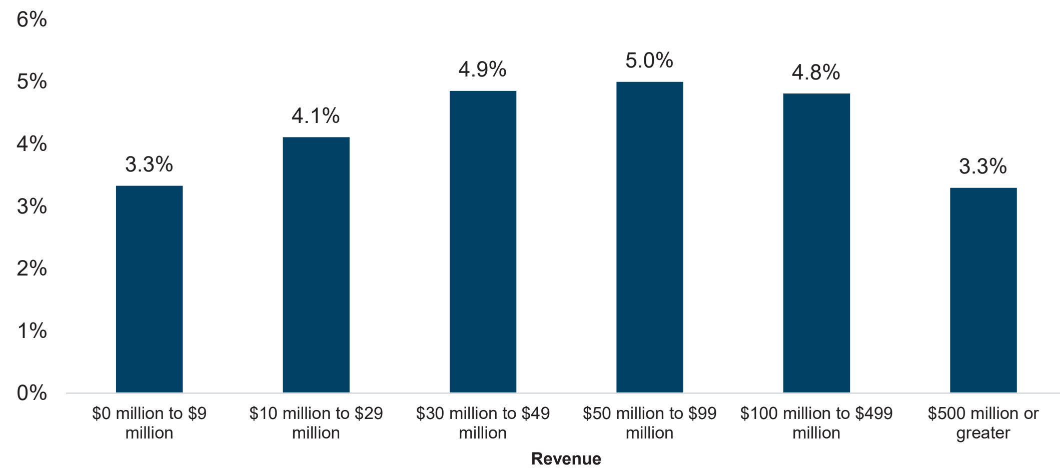
Exhibit 11
William Blair's Inaugural Accounting Services Executive Survey
Expected Annual Price Increases (Next 3-5 Years)



Source: William Blair Equity Research

We also looked at expected prices increase by firm size. On this basis, pricing expectations appear strongest among the middle tiers of firms, while expectations are lower at the high and low ends of the size spectrum.

Exhibit 12
William Blair's Inaugural Accounting Services Executive Survey
Expected Weighted Average Price Realization by Firm Size (NTM)

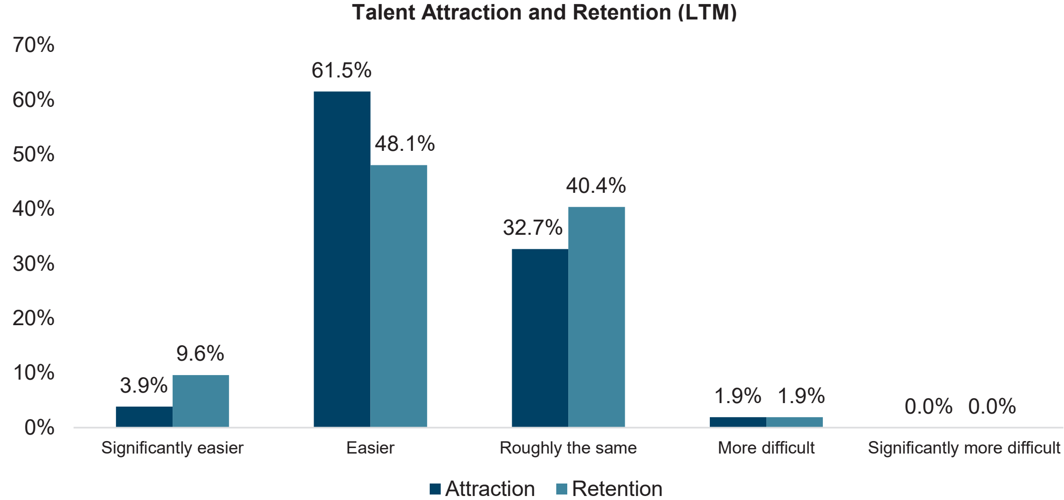


Source: William Blair Equity Research

Talent Environment and Compensation

The talent environment for accounting firms has been a hot topic of discussion over the past few years, with volatile attrition trends and widespread coverage of the shortage of CPA talent. We believe that these labor market pressures peaked in 2022 and 2023 and have since eased. Our survey respondents confirmed that talent attraction and retention pressures lessened in 2024, with roughly 65% of respondents indicating that it was easier to attract talent last year and nearly all respondents indicating that it was easier to retain their current talent versus 12 months ago.

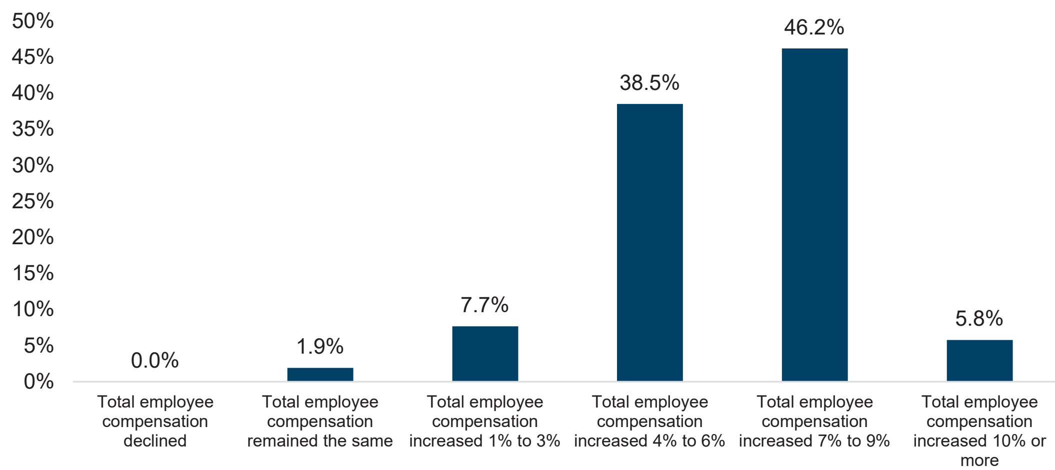
Exhibit 13
William Blair's Inaugural Accounting Services Executive Survey
Talent Attraction and Retention (LTM)



Source: William Blair Equity Research

Survey respondents indicated that compensation for firm employees continues to grow solidly. Using the same weighting methodology described for pricing, compensation grew at a weighted average of 6.5% in 2024.

Exhibit 14
William Blair's Inaugural Accounting Services Executive Survey
Compensation Trends (LTM)

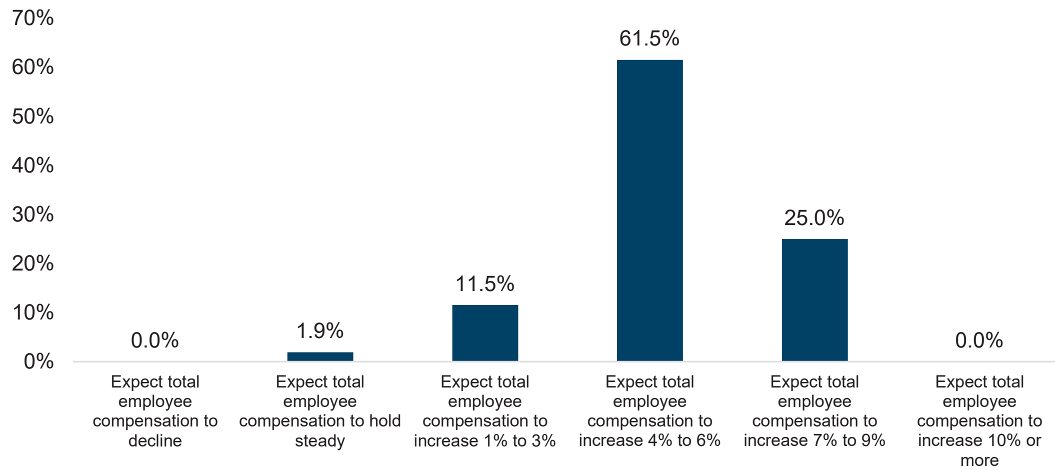


Source: William Blair Equity Research

We are not particularly surprised by continued compensation growth for accountants given the shortage of CPA talent, as the industry struggles to compete with alternative career paths for professionals with accounting backgrounds. That said, the magnitude of the increases exceeded our expectations. Talent attraction, retention, and compensation trends appear consistent when analyzing the data by firm size and when comparing trends between firms that have or have not taken on external capital.

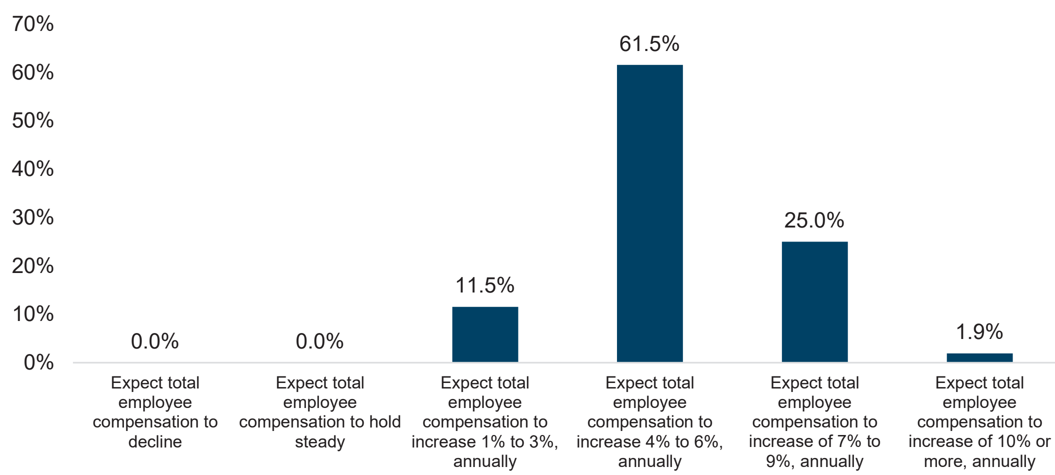
Compensation increases are expected to step down slightly in 2025 but remain solid. Respondents expect compensation to grow at a weighted average rate of 5.3% in 2025, and 5.5% over a three- to five-year period. Over both periods, the majority of respondents (around 62%) indicated that compensation is expected to grow in the midsingle digits, reflective of a more normalized environment than in 2024. Similar to pricing, we view this as a step down from outsized growth in compensation in recent years as labor market pressures have cooled significantly.

Exhibit 15
William Blair's Inaugural Accounting Services Executive Survey
Compensation Expectations (NTM)



Source: William Blair Equity Research

Exhibit 16
William Blair's Inaugural Accounting Services Executive Survey
Compensation Expectations (Next 3-5 Years)



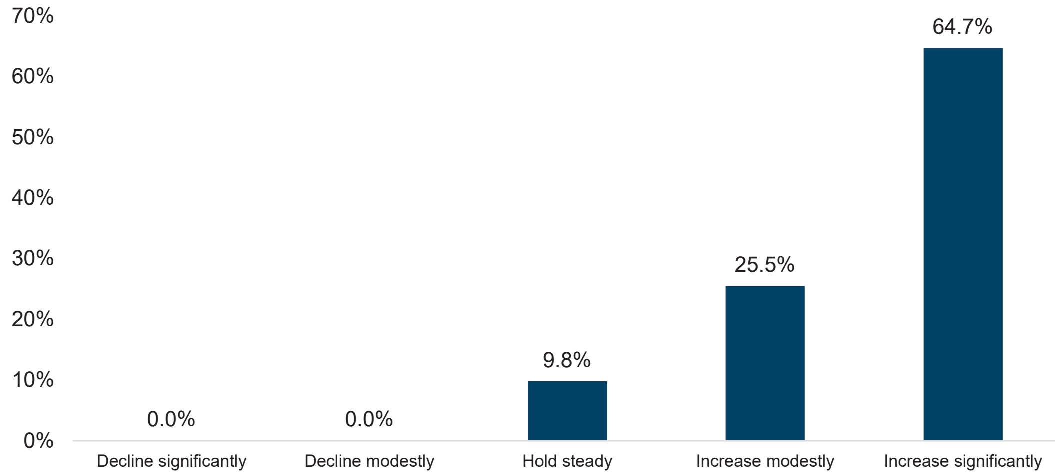
Source: William Blair Equity Research

Technology

We also asked respondents questions on their current use of technology and/or automation in their businesses. Around 31% of respondents answered that technology and automation had a significant impact on their business in 2024, while an additional 51% cited a modest impact. The most cited use of technology by respondents was back-office automation, including scheduling, compliance, tracking KPIs, and preparing engagement letters. Respondents believe the application of these tools remains in its early stages but presents a huge opportunity to increase efficiency.

Automation of tax return preparation was also a recurring answer. Over the next three to five years, respondents generally expect to significantly increase investment in technology related to these capabilities and other emerging areas including AI.

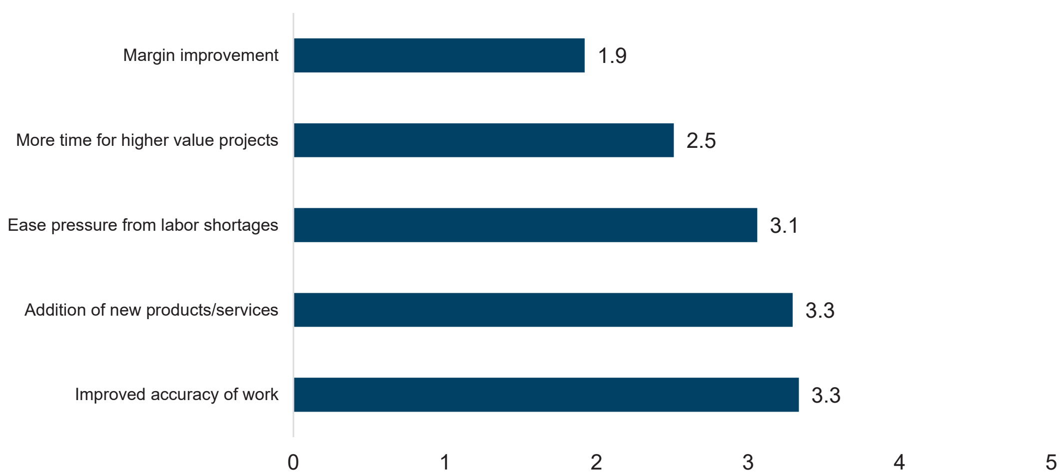
Exhibit 17
William Blair's Inaugural Accounting Services Executive Survey
Technology Investment Plans (Next 3-5 Years)



Source: William Blair Equity Research

We also asked clients to rank (from 1 to 5 with 1 being the most beneficial) the primary benefits they expect to gain from technology investment programs across five categories and offered an open-ended prompt to share what they are most excited about. Margin improvement and clearing up more time for higher-value project work were the highest ranked answers, on average, although responses widely varied across respondents.

Exhibit 18
William Blair's Inaugural Accounting Services Executive Survey
Ranked Benefits from Technology Investment



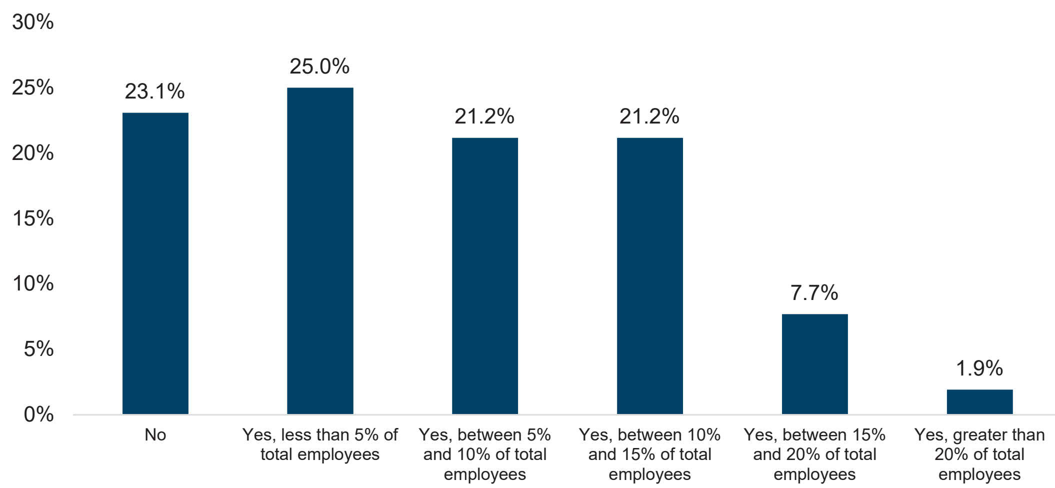
Note: Scores indicate the average rank of each category across respondents; lower scores indicate higher rank.
Source: William Blair Equity Research

For the open-ended portion of the question, the most highlighted areas of excitement included AI, tax automation, capacity improvement, streamlining of repetitive work, and software improvements. The technology investment plans are similar across all surveyed firm sizes, though on a dollar basis we can safely assume the larger firms will be able to invest significantly greater amounts. Among the private equity-backed firms, 82% of respondents expect a significant increase in technology investment while the remaining 18% expect a modest increase; at the non-sponsored firms, the figures are lower at 60% and 28%, respectively.

Non-U.S. Labor

We asked accounting services executives about their firms' reliance on non-U.S. labor. Among our respondents, 23% still do not use non-U.S.-based labor at all, while an additional 25% leverage it for less than 5% of their workforce.

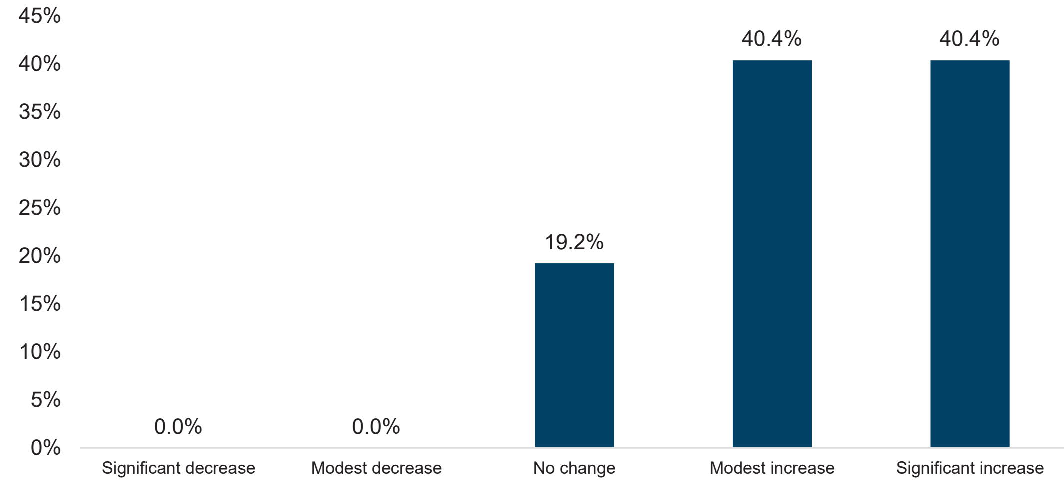
Exhibit 19
William Blair's Inaugural Accounting Services Executive Survey
Current Use of Non-U.S. Labor



Source: William Blair Equity Research

We believe there is a long runway for increased usage of non-U.S. labor going forward, and survey respondents seem to agree. Roughly 80% of respondents expect to either modestly increase (40%) or significantly increase (40%) their use of non-U.S. labor over the next three to five years.

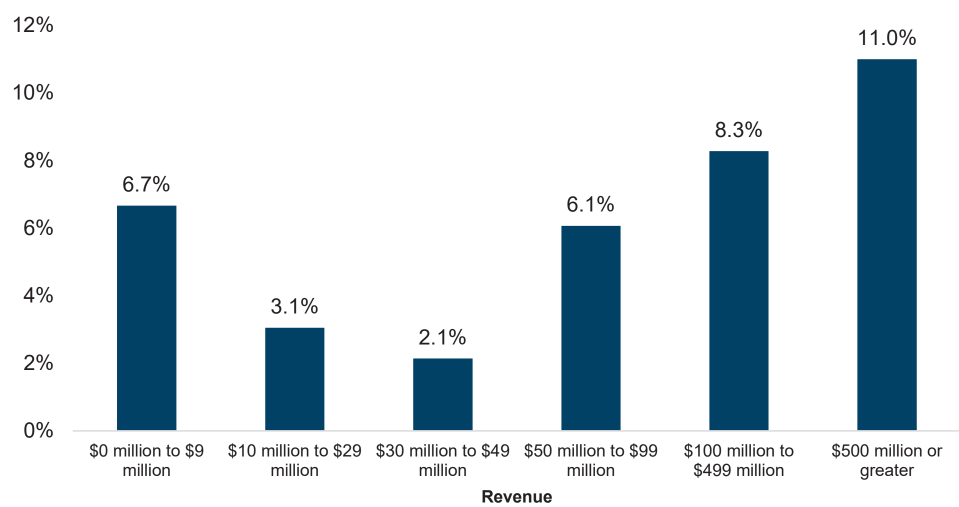
Exhibit 20
William Blair's Inaugural Accounting Services Executive Survey
Expected Use of Non-U.S. Labor (Next 3-5 Years)



Source: William Blair Equity Research

Among our respondents, firms' use of non-U.S. labor significantly increases as firm size increases, as shown below. Within our respondent base, we predictably saw a notable increase in the use of non-U.S. labor among respondents at firms with over $50 million in revenue.

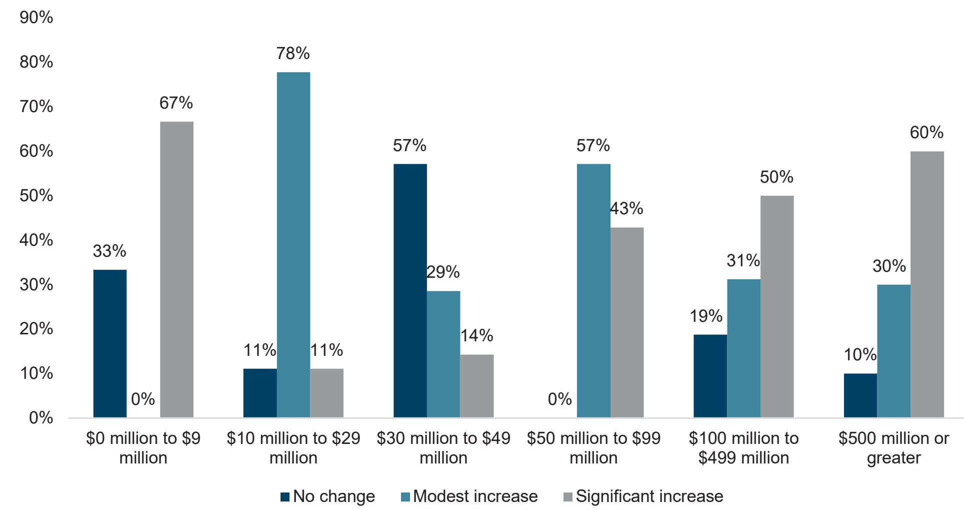
Exhibit 21
William Blair's Inaugural Accounting Services Executive Survey
Weighted Average Use of Non-U.S. Labor by Firm Size



Source: William Blair Equity Research

At firms backed by external capital, we do not see a notable difference in current use of offshore labor but do see a divergence in the plans for future use. About 91% of respondents indicated plans to increase the use of non-U.S. labor, compared to 78% for firms without external investment. We also highlight that there is an upward trend in firms expecting a "significant increase" as revenue increases.

Exhibit 22
William Blair's Inaugural Accounting Services Executive Survey
Expected Use of Non-U.S. Labor (Next 3-5 years)

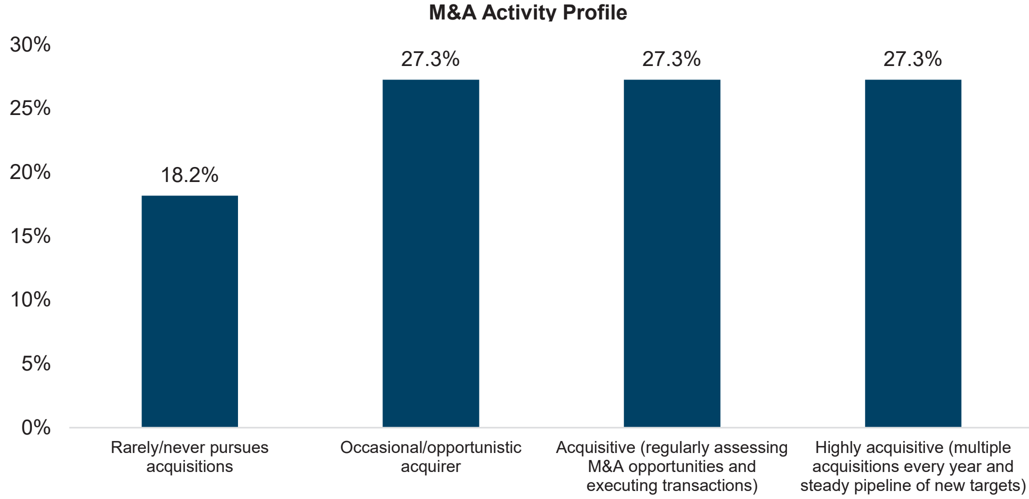


Note: "Significant decrease" and "modest decrease" were also survey options, but chosen by zero participants.
Source: William Blair Equity Research

M&A

Approximately 90% of the survey respondents indicated that they are involved with M&A decision-making at their respective firm. Of the respondents who were involved with M&A decisions, less than 20% of the firms classified themselves as non-acquisitive. The remaining respondents all indicated that M&A is a source of growth for their firms, with about a third each of the remaining respondents falling into the buckets of occasional/opportunistic acquirer, acquisitive, and highly acquisitive. Unsurprisingly, larger and financially backed firms tended to classify themselves as more acquisitive than their smaller and less financially capable counterparts.

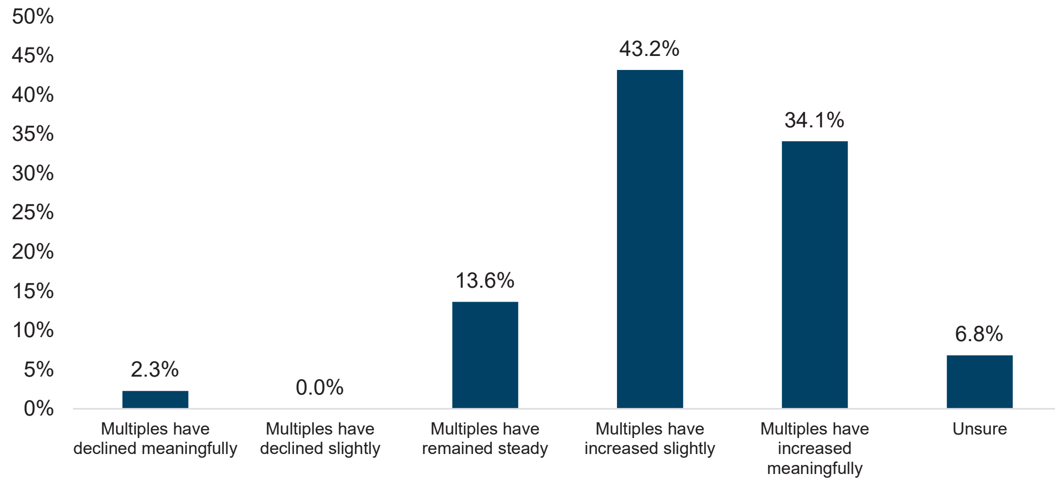
Exhibit 23
William Blair's Inaugural Accounting Services Executive Survey
M&A Activity Profile



Source: William Blair Equity Research

Given the respondents' intimate familiarity with the accounting M&A landscape, we were curious of their view on how acquisition multiples have trended over the past year. A significant majority of respondents indicated that multiples have either increased slightly or meaningfully over the last 12 months, consistent with our industry conversations over the same time frame. Anecdotally, our impression is that multiples have moved meaningfully higher for platform-type acquisitions and slightly higher, if not mostly unchanged, for smaller tuck-in acquisitions.

Exhibit 24
William Blair's Inaugural Accounting Services Executive Survey
Trend of Acquisition Multiples

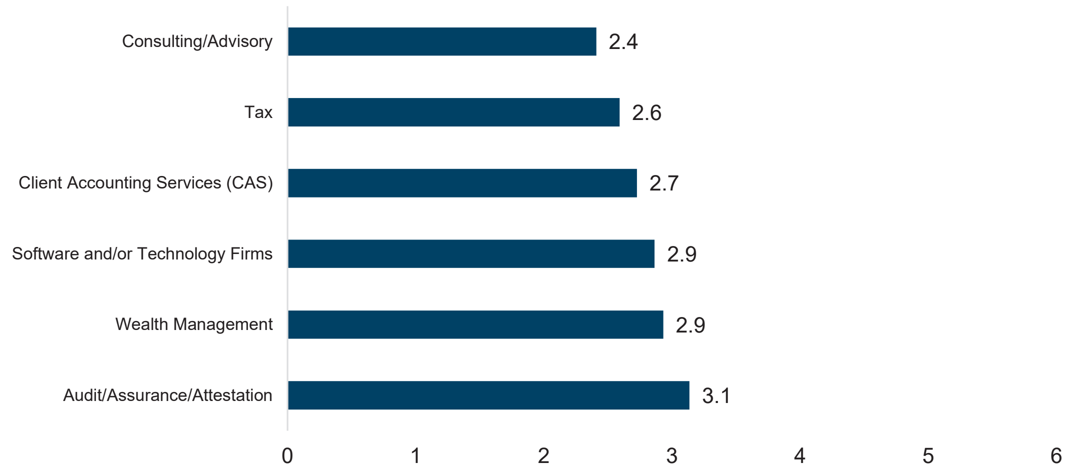


Source: William Blair Equity Research

We also gave respondents two open-ended prompts: 1) How would you characterize the current M&A landscape for accounting services firms? What related challenges does your firm face? and 2) Have you observed any changes to the structure of deals and/or terms of merger agreements over the past three to five years (e.g., evolution of cash/equity mix, prevalence of earnouts)? The current market landscape was repeatedly classified as "challenging"; respondents expect valuations to continue to move higher for high-quality practices. Other respondents commented on the difficulty of finding acquisition targets that fit their culture and the challenges of improving efficiency to keep up with private equity-backed competition. On deal structure, respondents noted broadly higher valuations and an increased expectation of upfront cash payments (compared to the historical norm of using earnouts). Alternatively, many other respondents noted that they had not seen a significant change in deal structures. We suspect the disconnect is attributable to differing experiences based on target firm size.

Lastly, we asked respondents what categories were most compelling for future acquisitions. On a weighted average basis, respondents chose consulting and advisory as the most interesting, closely followed by tax and CAS. These rankings closely mirror the organic growth expectations we outlined previously, indicating that accounting leaders are doubling down on investing in what they perceive as the highest growth areas within their businesses. Our rankings also indicate that most leaders are relatively more interested in growing their core service lines than adding new lines of business such as wealth management or technology practices.

Exhibit 25
William Blair's Inaugural Accounting Services Executive Survey
Ranked Categories of M&A Interest



Note: Scores indicate the average rank of each category across respondents; lower scores indicate higher rank.
Source: William Blair Equity Research

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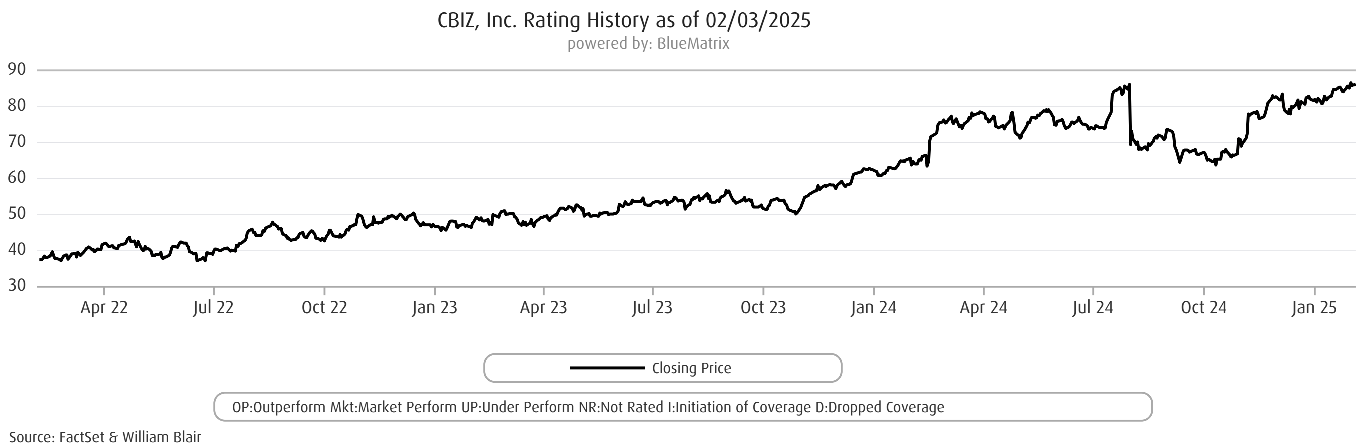
DOW JONES: 44556.00
S&P 500: 6037.88
NASDAQ: 19654.00



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Outperform (Buy)	71	Outperform (Buy)	9
Market Perform (Hold)	28	Market Perform (Hold)	1
Underperform (Sell)	1	Underperform (Sell)	0

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