



INVESTING IN ACCOUNTING FIRMS

# How PE Investment Theses are Changing

APRIL 2026

*Prepared in collaboration with Allan Koltin and Chis Mazzei*

# Foreword | Evolution of the CPA+ market across time horizons

## INVESTMENT ACTIVITY IN CPA FIRMS SINCE 2021

### Allan Koltin

CEO OF KOLTIN CONSULTING GROUP

**THE PE PLAYBOOK IS WORKING, AND CAPITAL IS NOW A CORE INPUT TO COMPETING IN THE CPA SPACE, WITH THE MARKET STILL IN THE EARLY-CYCLE AND LIKELY MORE FLAGSHIP DEALS TO COME**

Since the first modern PE entry into the profession in 2021, the pace and scale of investment in CPA firms has accelerated, moving from a handful of headline transactions to a widespread wave across platforms and add-ons of all sizes, attracted by consistent cash flows from compliance and upside from discretionary services.

Early outcomes are confirming the thesis and the lab experiment has been validated: access to capital and a more “business-like” operating model have helped firms invest in talent, technology, and adjacent “people-centric” services, driving faster revenue and profit expansion than the traditional partnership model could typically support.

And importantly, this is not a finished story. By many accounts we are still only in the second or third inning, with continued deal flow and the first meaningful set of “flips” beginning to emerge.

## INVESTMENT THESES & PRIORITIES TODAY

### Stuart Ferguson

President of Stout Strategy

**AS THE MARKET MATURES, THE THESIS IS SHIFTING FROM “BUYING INTO THE CATEGORY” TO “WINNING ON EXECUTION” AS GROWTH, TALENT, AND TECH BECOME THE DIFFERENTIATORS**

As the market moves into its next wave, investor focus is rotating from foundational “givens” (a large, resilient market) to executional strength - durable organic growth, commercial excellence, and a scalable talent model.

At the same time, strategies that once signaled upside, like broadly “moving up-market” or relying on consolidation alone, are becoming harder to underwrite without clear proof of focus, differentiation, and integration muscle.

Going forward, the highest conviction platforms will be those that pair advisory diversification with a governed operating system and measurable value-creation levers (utilization, offshoring, automation), alongside a pragmatic approach to AI, capturing productivity and quality gains while managing the risk of price giveback in more repeatable, compliance-heavy workflows.

## INVESTMENT EVOLUTION WITHIN AN AI FUTURE

### Chris Mazzei

Advisor, Ex. Big Four Executive

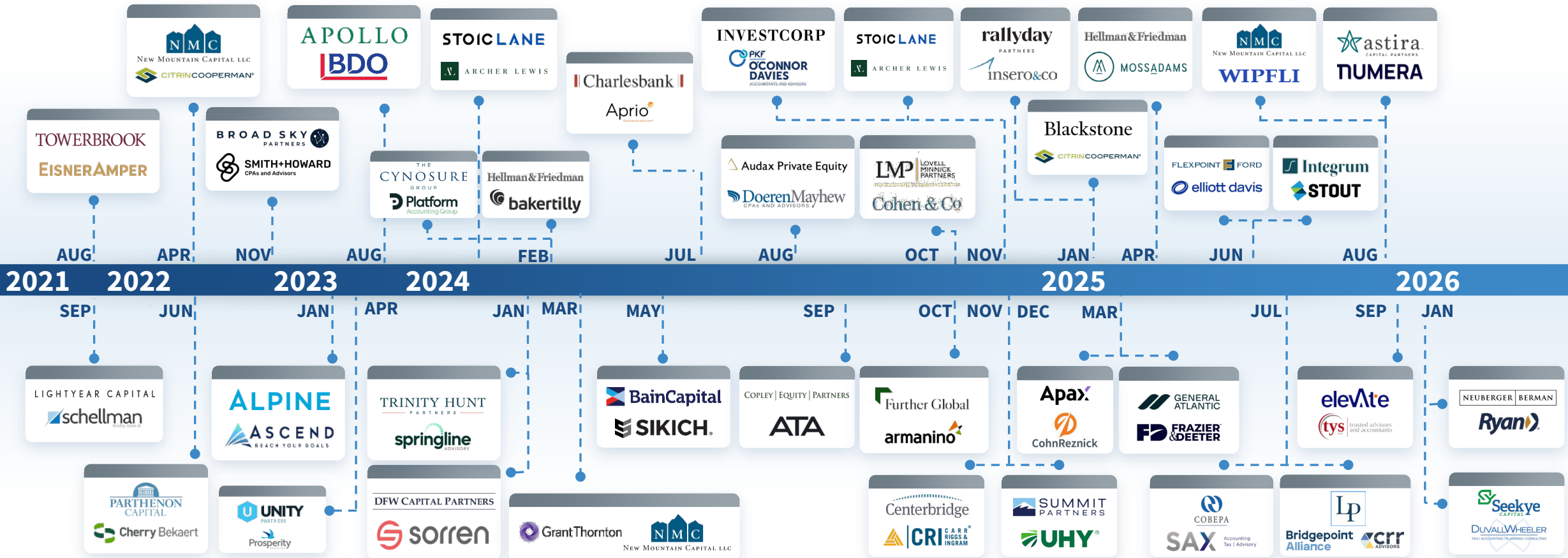
**AI IS NOT JUST IMPROVING CPA+ FIRMS — IT IS BEGINNING TO REDEFINE THEM. THE FIRMS THAT TREAT AI AS STRATEGIC, NOT TACTICAL, WILL SHAPE THE FUTURE OF THE INDUSTRY.**

What started as experimentation with isolated use cases is quickly evolving into a broader shift in how work is performed, judgment is applied, and value is delivered. The shift is no longer potential, but actual, meaningful, and accelerating.

In the near term, firms will see gains in speed, quality, and consistency; over time, the bigger impact will be on economics, as AI changes the cost of expertise and creates pressure to rethink service models, pricing, and talent. Capitalizing on the paradigm change will require correction of current day value leakage and frictions.

The most attractive CPA+ firms for outside investment will demonstrate AI maturity across forward-thinking leadership, value/product-based pricing readiness, and effective harnessing of the partnership ecosystem.

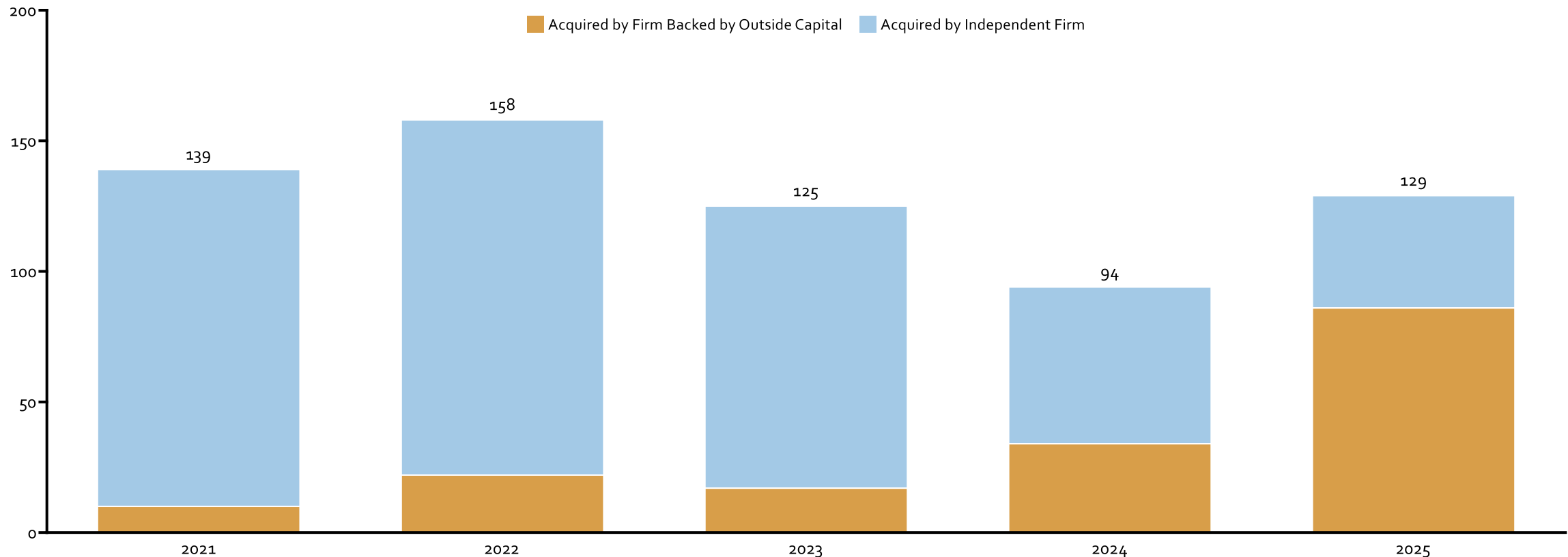
# The landscape for CPA+ firms has meaningfully evolved over the last ~5-years (and will continue to change), primarily driven by PE investments



# PE-backed firms account for an increasing volume of the deal flow for the 100+ transactions that have annually transpired since 2021

## Number of CPA Firms Acquired per Year – PE versus Independent

Number of CPA Firms Acquired per Year



% Acquired by PC

7%

14%

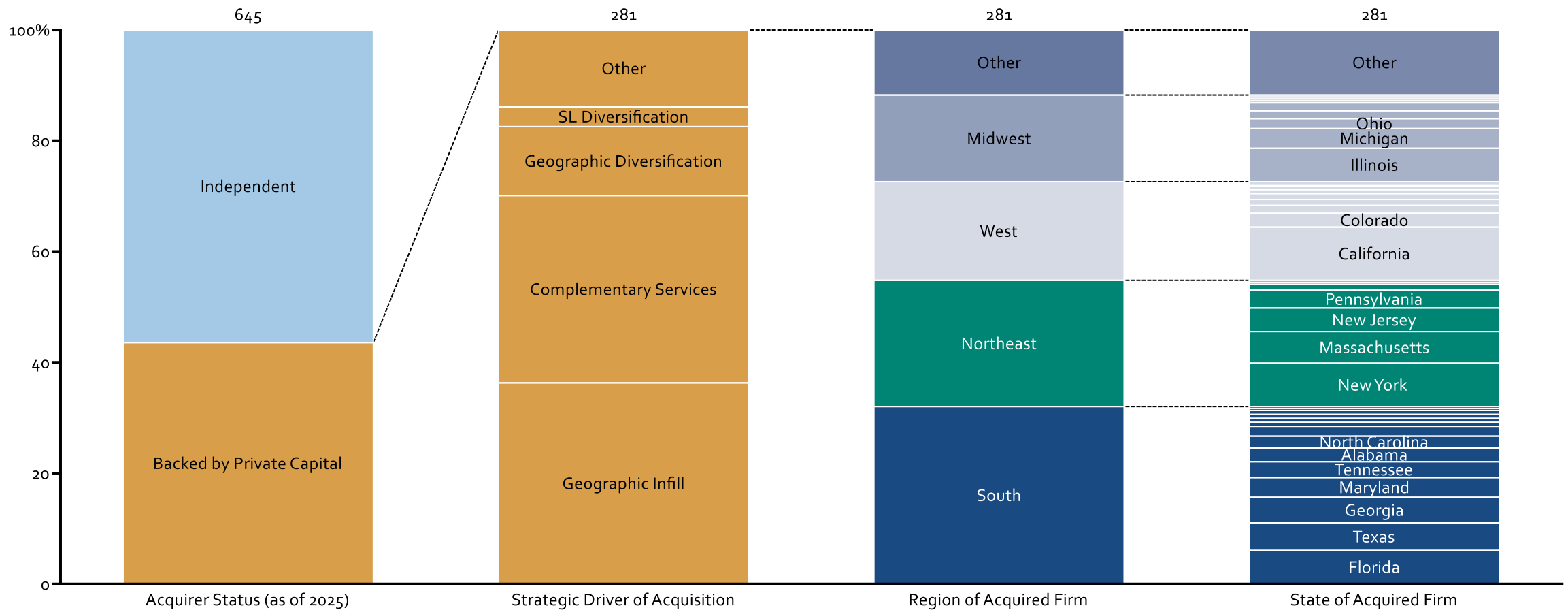
14%

36%

67%

# In aggregate, ~half of acquired CPA firms are on PE platforms, with most of the deals serving a geographic or SL infill purpose

## CPA Firms Acquired by Count – Segmented by Strategic Driver, Region, and State



# Consequently, the CPA+/OCFO map is rapidly consolidating, capitalizing, and following PE-oriented imperatives

## Top 60 OCFO Firms in the US

**Legend:**

- Backed by Outside Capital
- Pure-Play Specialist
- International Consolidation

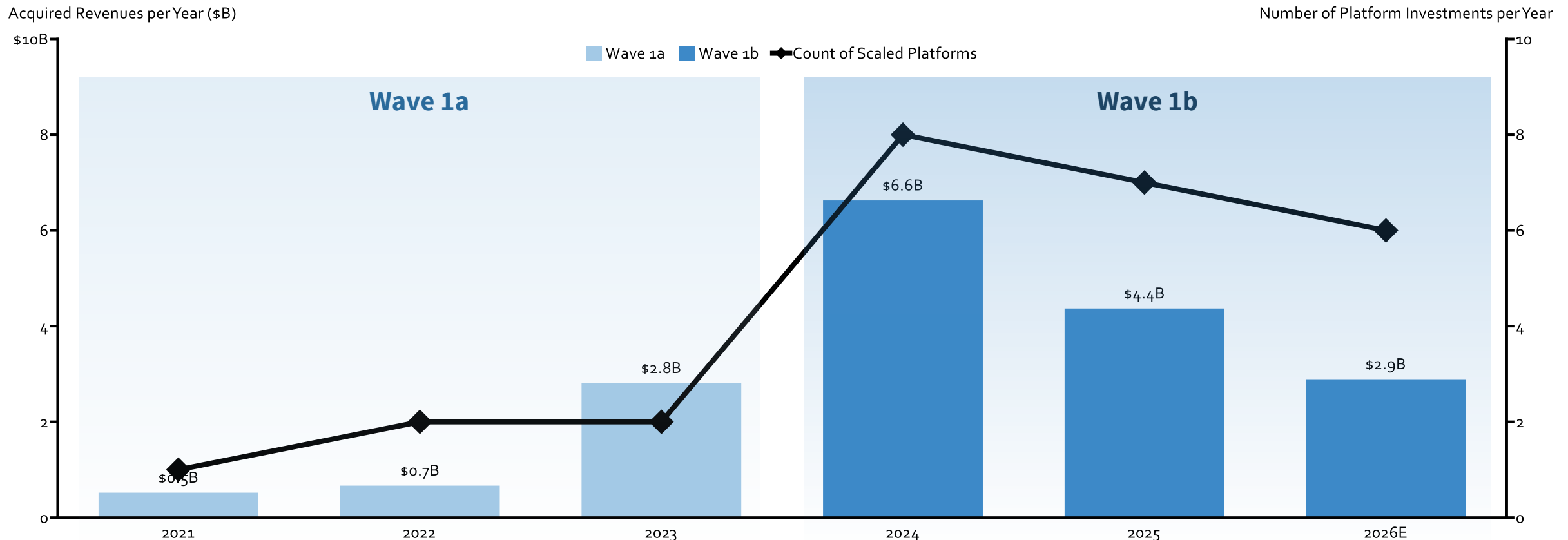


### Long-tail of PE-backed Consolidation Plays



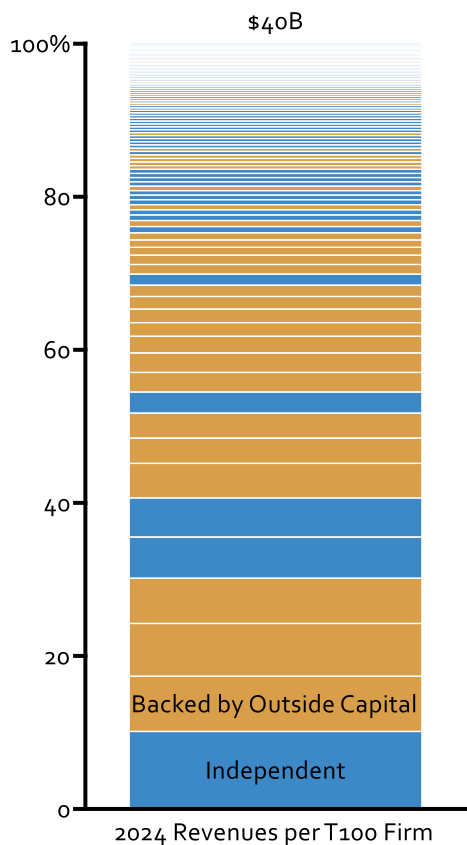
# Currently, the CPA+ market is finishing its first “wave” of PE investment, which can be bifurcated into two sub-phases

## Count and Size (in Revenues) of PE Platforms per Year (2021-2026E)

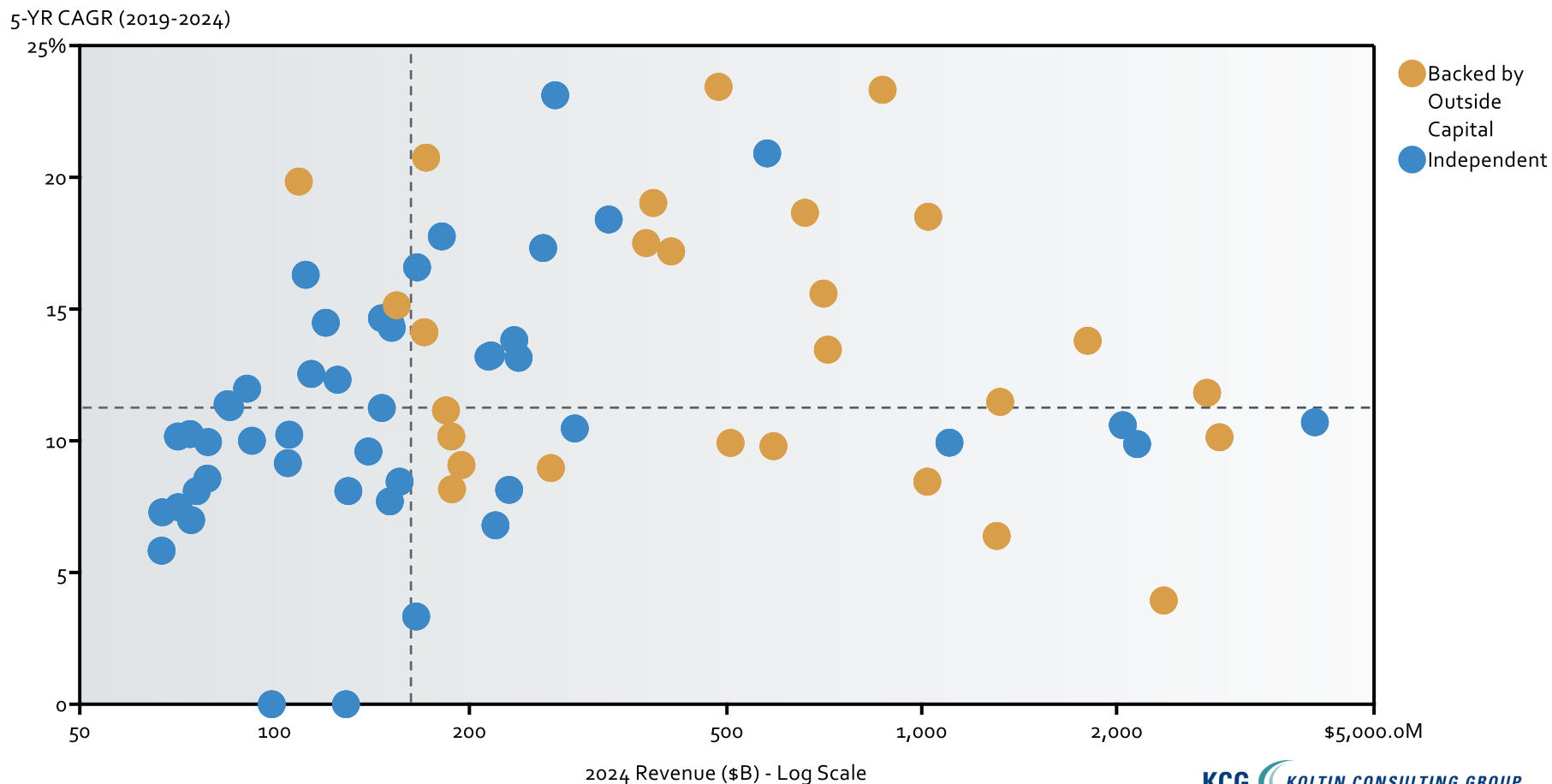


# Performance of PE-backed T100 firms has generally been positive, with >60% of the 25 fastest-growing and scaled CPAs benefiting from PE capital

T100 (excl. B4) Market Share per Firm (\$)



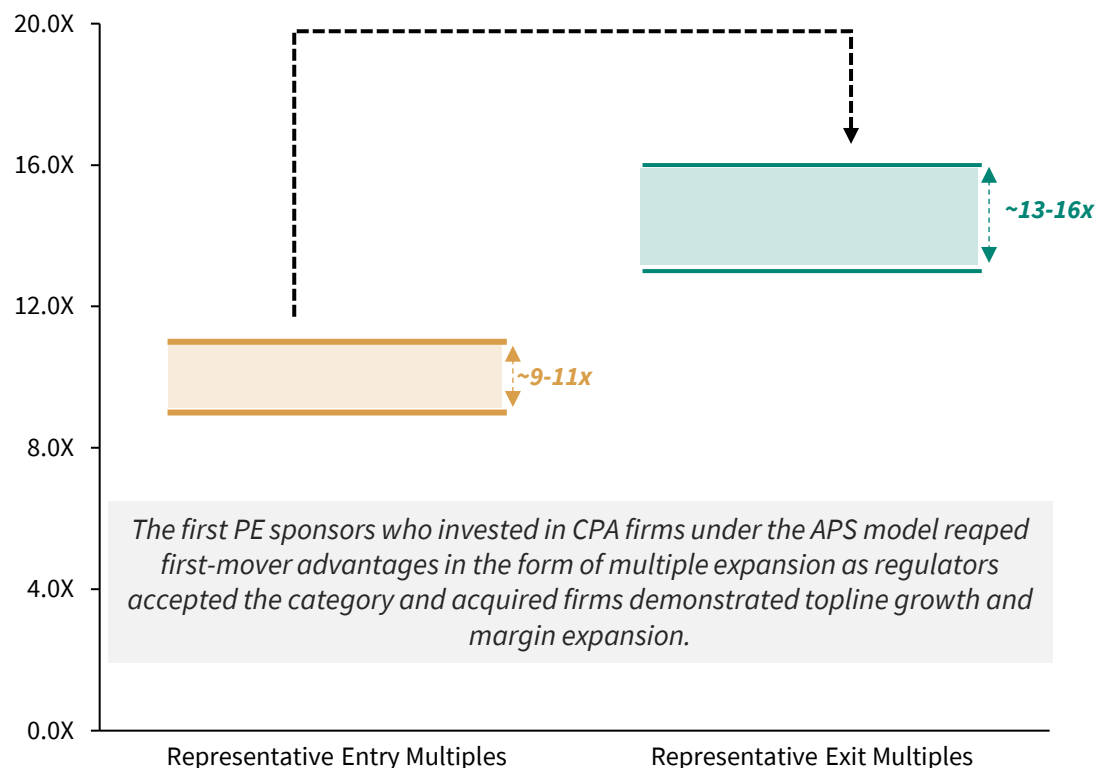
2024 Revenue per T100 Firm (excl. B4) and 5-YR CAGRs (2019-2024) – Backed by Outside Capital versus Independent Firms (as of 2026)



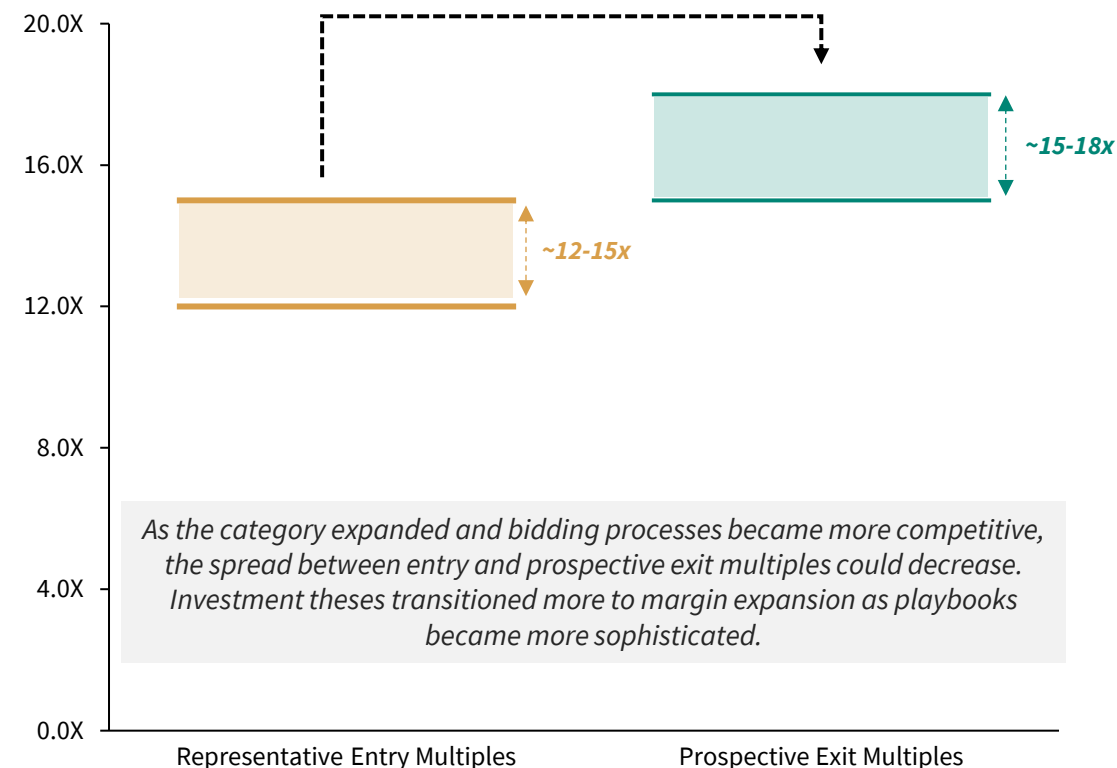
# Financially, exit multiples have substantially accrued across both waves, although the magnitude of the uplift has incrementally moderated

The first PE into US-based CPA firms achieved multiple turns on their investments. As the APS model democratized and bidding processes became more competitive, entry multiples increased and the spread between entry and prospective exit multiples may decrease, though in-hold value creation playbooks have become more sophisticated.














































### “First Wave” CPA Firms (c. 2021-2022)



### “Second Wave” CPA Firms (c. 2023-2025)



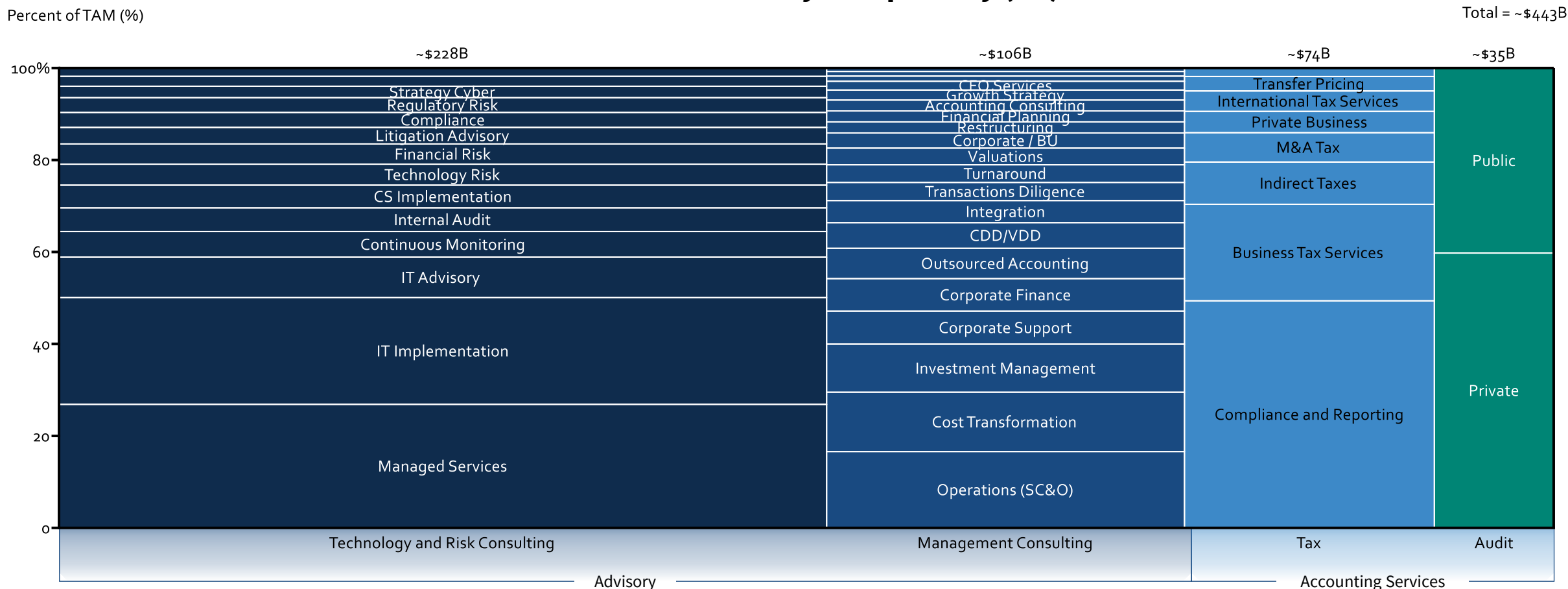
# Throughout the last ~5-years, investment theses have evolved and matured driven by market externalities and multiples expansion

|   | Thesis Element  | Description   | Importance to Investors   |   |   | Why It Is Changing  | Importance Level Over Time  |
|---|---|---|---|---|---|---|---|
|   |   |   | Wave 1a<br>(2021-2023)  | Wave 1b<br>(2024-2026)  | Wave 2<br>(2027-2030)   |   |   |
| 1 |  <b>Large and Resilient TAM</b>        | Scaled market with stable demand is a core attraction of the CPA+ TAM                   |    |    |    | This was (and still is) a “given” for most sponsors, but ensuring alignment with the right sub-segments is key          |    |
| 2 |  <b>Strong Organic Growth</b>          | Demonstrating consistent growth in the 7-9% range is the established target             |    |    |    | Growth is becoming increasingly challenging; achieving the “target” requires more focus and intentionality              |    |
| 3 |  <b>Move Up-Market</b>                 | Pushing upwards to serve increasingly larger and higher value customers                 |    |    |    | This has proven both more difficult and less viable for most firms; “own your lane” is the new mandate                  |    |
| 4 |  <b>Commercial Excellence</b>          | Establishing capabilities that yield better pricing, cross-selling, account mgmt., etc. |    |    |    | Sponsors early focus was operational value creation, but the scope and impact of ComEx has emerged as a priority        |    |
| 5 |  <b>Supply-Side Differentiation</b>    | Developing an EVP that is unique and scalable to win (and retain) talent                |    |    |    | With the increasing number of PE-backed firms, competition here is increasing (and differentiation is more challenging) |    |
| 6 |  <b>CPA Consolidation</b>              | Acquiring CPA+ firms (primarily in the US) at lower entry multiples                     |    |    |    | Runway for this trend is shortening (both due to multiples expansion and availability of quality assets)                |    |
| 7 |  <b>Advisory Diversification</b>     | Expanding into adjacent, higher growth and value areas for CPA+ firms (largely via M&A) |  |  |  | Sponsors see this as a longer-term necessity to sustain both inorganic and organic growth rates                         |  |
| 8 |  <b>Value Creation Opportunities</b> | Increasing EBITDA via offshoring, improving utilization, automation, etc.               |  |  |  | Playbook here is rapidly maturing and readily underwritable; many sponsors are viewing this as a “given”                |  |
| 9 |  <b>AI Opportunities &amp; Risks</b> | Integrating AI within workflows to capture efficiencies and/or enhance quality          |  |  |  | This rapidly evolved from a confirmatory diligence check-the-box exercise to a question of existentialism               |  |

1

# US OCFO (i.e., CPA+) TAM is a large (~\$ 443B) and diverse market spanning compliance-based and event-based/discretionary services

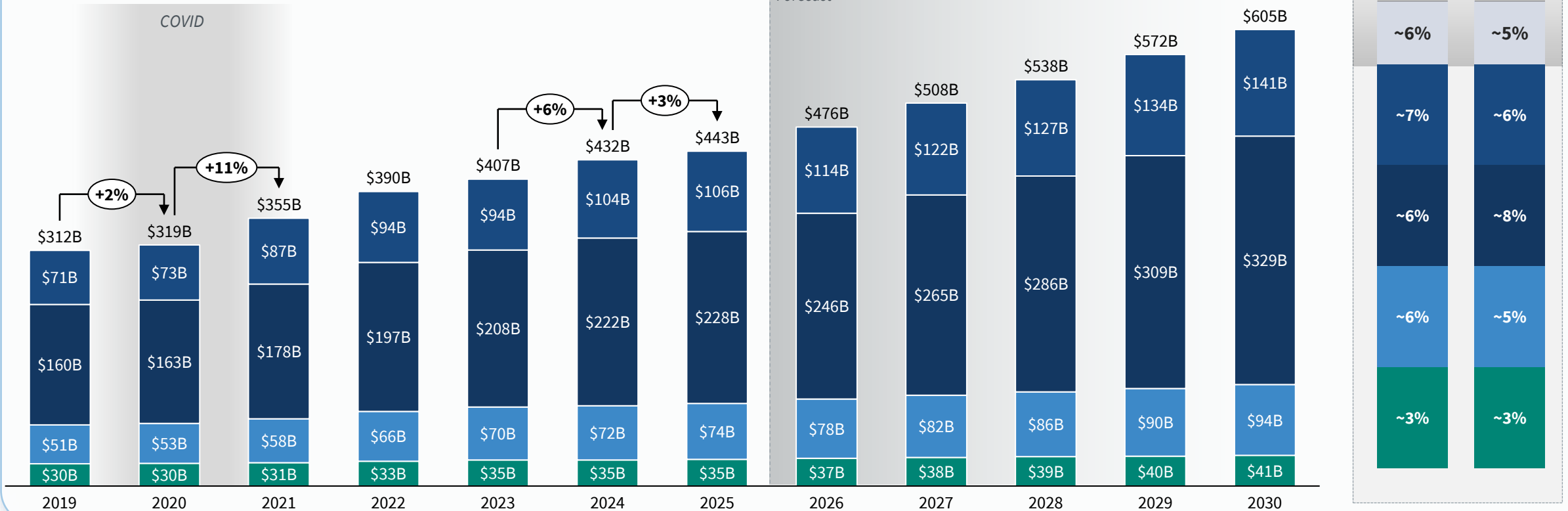
## 2025E US TAM by Competency (\$B)



# 1 Following a post-C19 uptick, CPA+ market maintained its resilience, but market growth appears to be slowing across forecast period by ~100bps

US CPA+ TAM 2019 to 2030 (\$B)

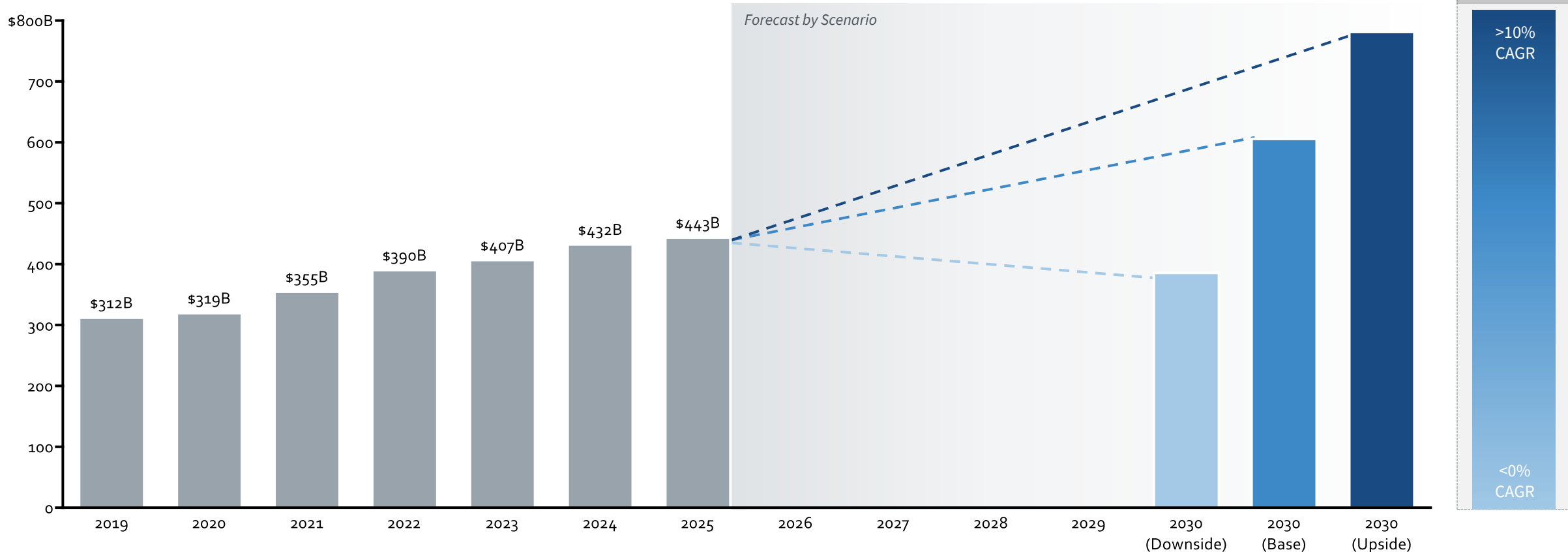
Mgmt Consulting Tech & Risk Tax Audit





















# 1 AI disruption could drive considerable dispersion across the OFCO TAM, enabling CAGRs from slightly below to 2x current projections

US OCFO TAM 2019 to 2030F by AI-Enabled Downside, Base, & Upside Case (\$B)

Total TAM - 2019-2030F



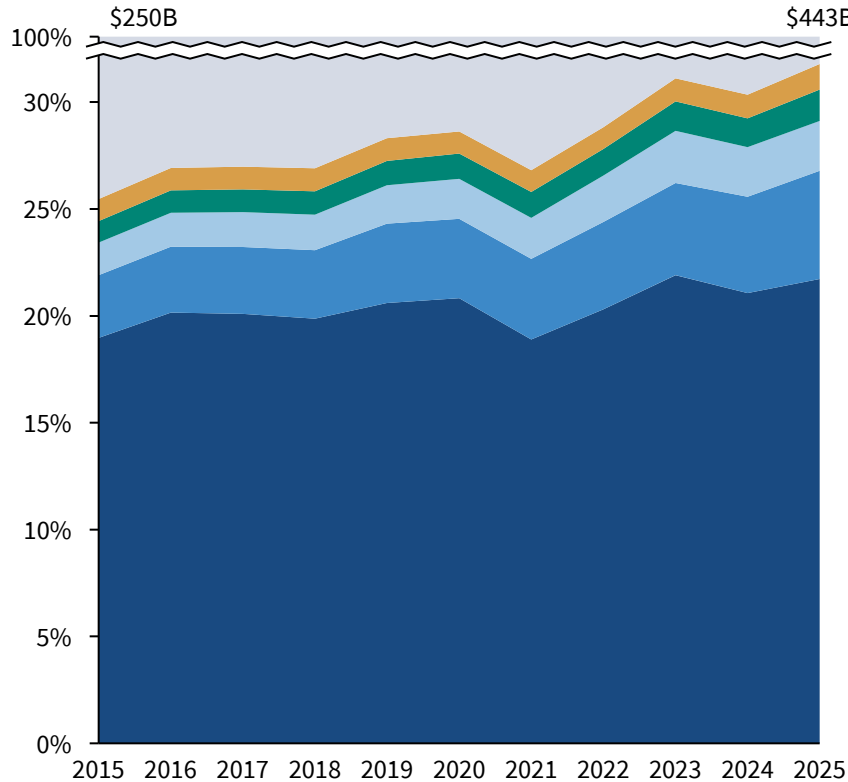
# 1 Various factors determine AI disruption outcome, with greatest risk today being conversion to P&L impact, followed by pricing and volumes

| Contributing Factor   | Description   | Direction of Travel   | Level of Importance   |
|---|---|---|---|
|  <b>Macroeconomic Environment</b>                | Strength of economic cycle, including M&A market, IPO activity, interest rates, business confidence, and corporate discretionary spend    | <ul style="list-style-type: none"> <li>Stalled M&amp;A/IPO recovery, delayed rate cuts, softer public equity</li> <li>Corporate profit pressure drive spend pullbacks</li> </ul> <p>Current/Expected Posture: </p>                 | <ul style="list-style-type: none"> <li>Rebound in M&amp;A activity and IPOs, with sharper rate cuts</li> <li>Corporate profits expand, public equity markets trend upwards</li> </ul> <p> Environment impacts spend but many SLs are less cyclical</p>               |
|  <b>Pricing Model and Pricing Discipline</b>     | Changes to pricing amounts and model (T&M vs fixed fee) with varying degrees of discounting/pass through to the customer                  | <ul style="list-style-type: none"> <li>AI-driven efficiency gains passed through to clients</li> <li>Heightened competition and rates drop faster than automation gains</li> </ul> <p>Current/Expected Posture: </p>               | <ul style="list-style-type: none"> <li>Providers retain greater share of AI-driven efficiency gains, with limited discounting</li> <li>Mix shifts to more high-value services deliver accretion</li> </ul> <p> High impact on market competitiveness and P&amp;L</p> |
|  <b>Client Demands (Quantity and Quality)</b>    | Shift in demand from clients, in terms of types of service offerings, depth of deliverable, turnaround time, and likelihood of insourcing | <ul style="list-style-type: none"> <li>Automation compresses required service "quantity" and billable units decrease</li> <li>Clients retain more work in-house</li> </ul> <p>Current/Expected Posture: </p>                       | <ul style="list-style-type: none"> <li>Net new AI-driven demand leads to more engagements/clients</li> <li>Shift to value-based pricing with underlying unit growth</li> </ul> <p> Major changes to client demand could erode CPA relevance</p>                      |
|  <b>Technology Maturity and Human Input</b>      | Development of technology, its quality of outputs relative to humans, and level of input required from humans to function                 | <ul style="list-style-type: none"> <li>AI becomes more generalized and technology evolves to be more self-directed and substitutive of labor</li> </ul> <p>Current/Expected Posture: </p>  | <ul style="list-style-type: none"> <li>Breakthrough AI capabilities drive step-change productivity</li> <li>Platforms enable new delivery models that unlock rev. pools</li> </ul> <p> Tech is expected to evolve but many SLs need human approval</p>               |
|  <b>Regulations on AI and Accounting Firms</b> | Guardrails around AI use for CPA firms and for clients, which may necessitate new service offerings                                       | <ul style="list-style-type: none"> <li>Guardrails are de facto lifted with looser overarching guidance</li> <li>Limited regulation for clients leads to no new AI-related offerings</li> </ul> <p>Current/Expected Posture: </p> | <ul style="list-style-type: none"> <li>Clear and constructive regulatory frameworks accelerates AI adoption while maintaining governance for firms and clients</li> </ul> <p> Regulatory barriers are a key "unlock" or "lock" for firms</p>                       |
|  <b>Conversion to P&amp;L Impact</b>           | Ability to generate margin returns and reallocate increased capacity gained through AI and technology investments                         | <ul style="list-style-type: none"> <li>Despite major investments in AI readiness and implementation, stranded assets hurt economics and tech spend offers low return</li> </ul> <p>Current/Expected Posture: </p>                | <ul style="list-style-type: none"> <li>New capacity is effectively re-allocated to additional billable activities and incentives are aligned</li> </ul> <p> Determinant of "winners" and "losers" in the long term</p>   |

# Over a longer time horizon, CPA+ TAM nearly 2x in 10-years, with the Big Four controlling ~22% share and the Next Eight growing the fastest (12%)

## TAM vs. AT100 Accounting Firm Total Revenue (2015-2025)

Big Four Next Eight Top 25 (excl. Top 12) Top 50 (excl. T25) Top 100 (excl. T50) ROM



|                               | Revenue 2015-2025   | Overall CAGR | TAM Share Δ            | Est. Organic / Acquired Split |
|-------------------------------|---------------------|--------------|------------------------|-------------------------------|
| <b>Big Four</b>               | \$47.4B → \$96.2B   | <b>7.3%</b>  | 19.0% → 21.7% (+2.7pp) | ~90% / 10%                    |
| <b>Next Eight</b>             | \$7.3B → \$22.4B    | <b>11.8%</b> | 2.9% → 5.1% (+2.1pp)   | ~40% / 60%                    |
| <b>Top 25 (excl. top 12)</b>  | \$3.8B → \$10.4B    | <b>10.5%</b> | 1.5% → 2.3% (+0.8pp)   | ~60% / 40%                    |
| <b>Top 50 (excl. top 25)</b>  | \$2.5B → \$6.5B     | <b>9.9%</b>  | 1.0% → 1.5% (+0.5pp)   | ~40% / 60%                    |
| <b>Top 100 (excl. top 50)</b> | \$2.6B → \$5.3B     | <b>7.5%</b>  | 1.0% → 1.2% (+0.2pp)   | ~80% / 20%                    |
| <b>ROM</b>                    | \$186.3B → \$302.2B | <b>5.0%</b>  | 74.5% → 68.2% (-6.3pp) | ~95% / 15%                    |

### KEY COMMENTARY

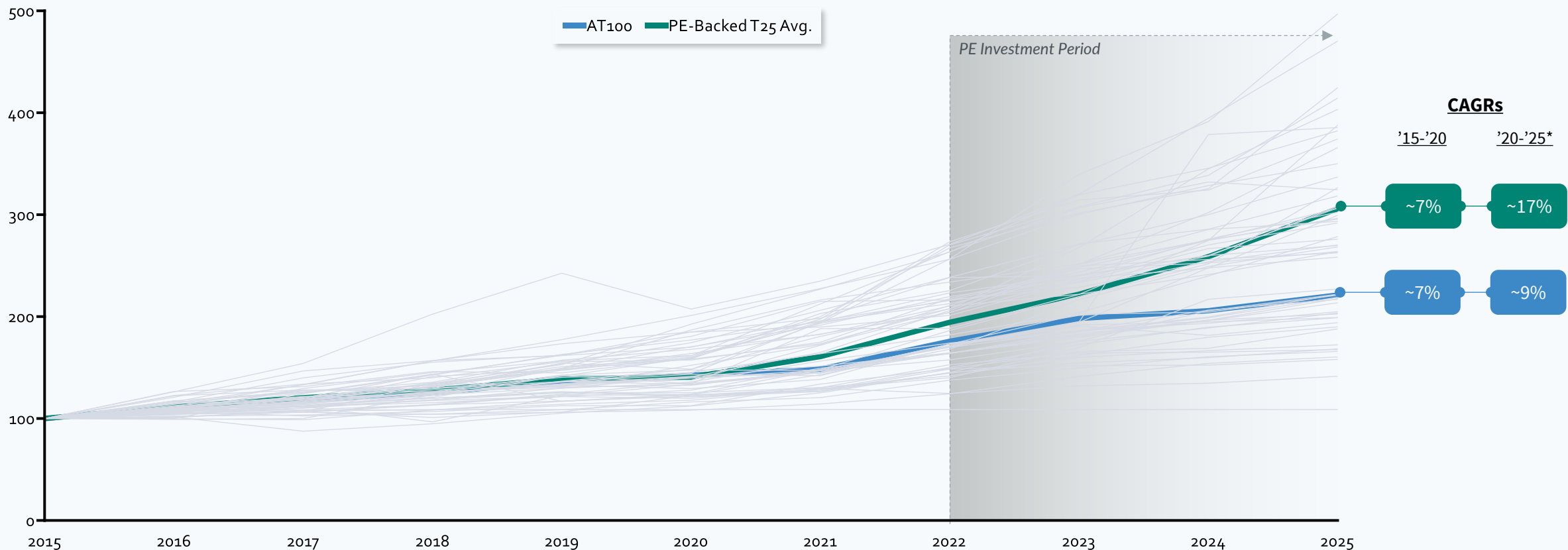
- **Market shape:** UMM and PE-backed sectors drove disproportionate TAM growth, expanding the complex-but-cost-conscious middle faster than SMB compliance work; LC continued to complexify and increase spend
- **Who benefited:** The Next Eight and Top 25 were structurally positioned to capture this growth, offering Big Four capability at sub-Big Four pricing and diversifying offering through acquisitive activity
- **Growth composition:** The Next Eight grew at ~12% CAGR, but roughly half of that growth was acquisition-driven; organic growth tracked closer to market rate
- **Service line tilt:** Next Eight share gains were concentrated in advisory and transaction services, not audit — reshaping their revenue mix toward higher-growth, higher-margin work

2

# Growth dispersion across firms started increasing post COVID driven by greater PE investment (while average growth of T100 remained stable)

## Growth of Top 100 Accounting Firms from 2015-2025 (Indexed to 2015)

Revenue by Firm (Index, 2015 = 100)



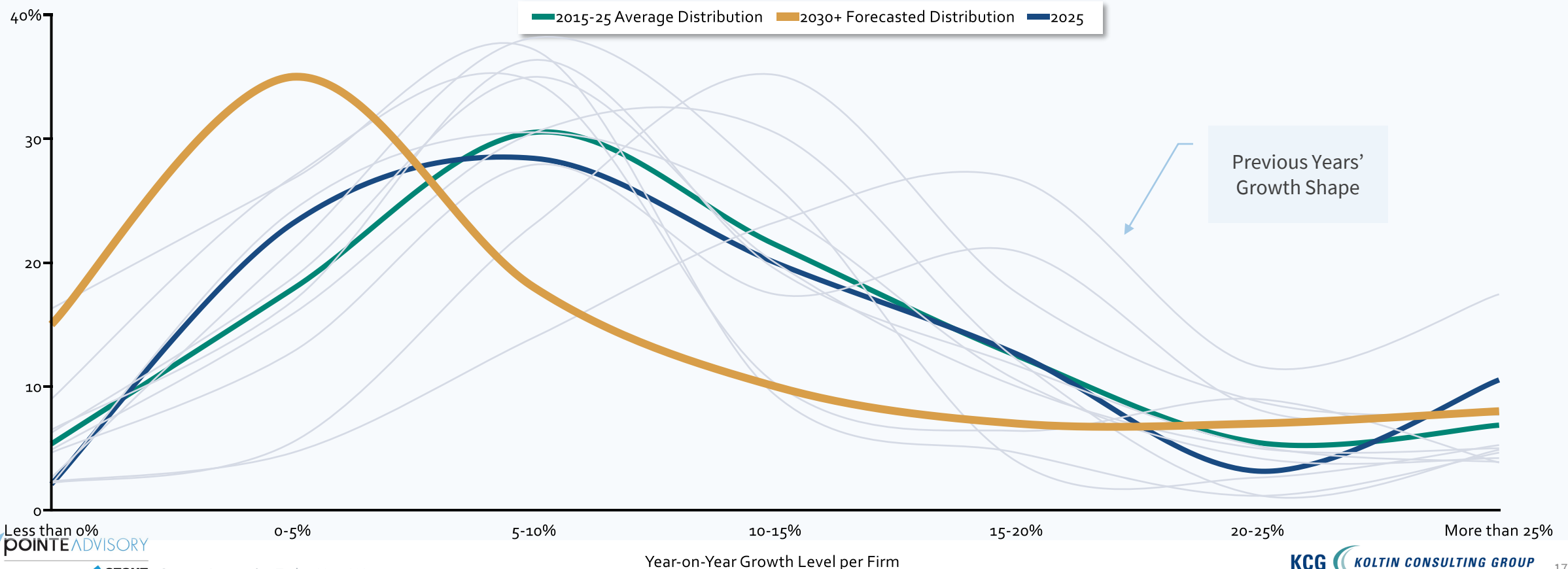
2

# Prior to Covid, growth of T100 firms tended toward tightly clustered distributions (~5-10%); moving forward, there will be more variance

Prior to COVID and Wave 1, the “shape” of growth was highly consistent, with ~normal distributions around 5-10%. Volatility across last 5 years blurred growth expectations. Going forward, Pointe projects a change in shape, with more density around lower levels but greater “spread” to the upside.

Percentage of T100 Firms

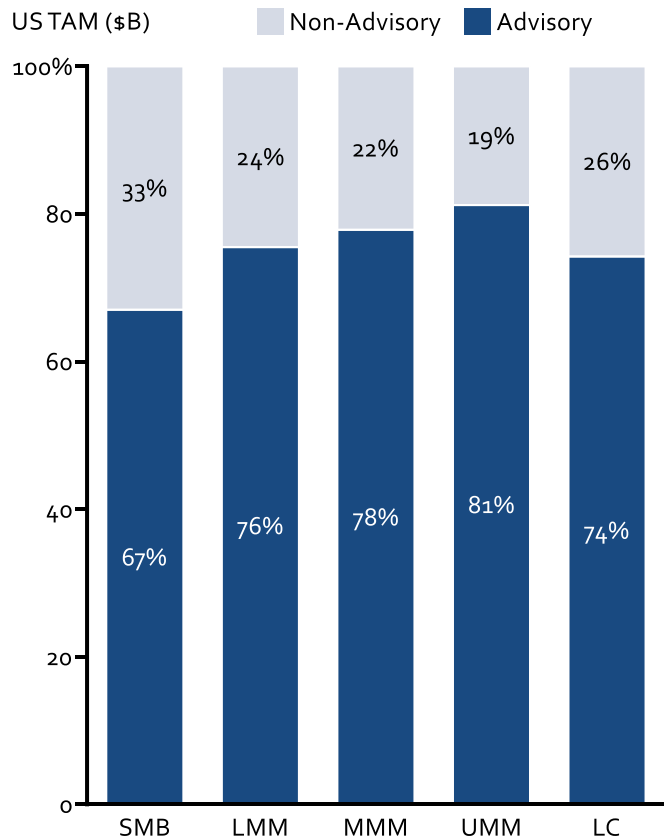
**Distribution of Growth - Percentage of T100 Firms per Level of Growth (%)**



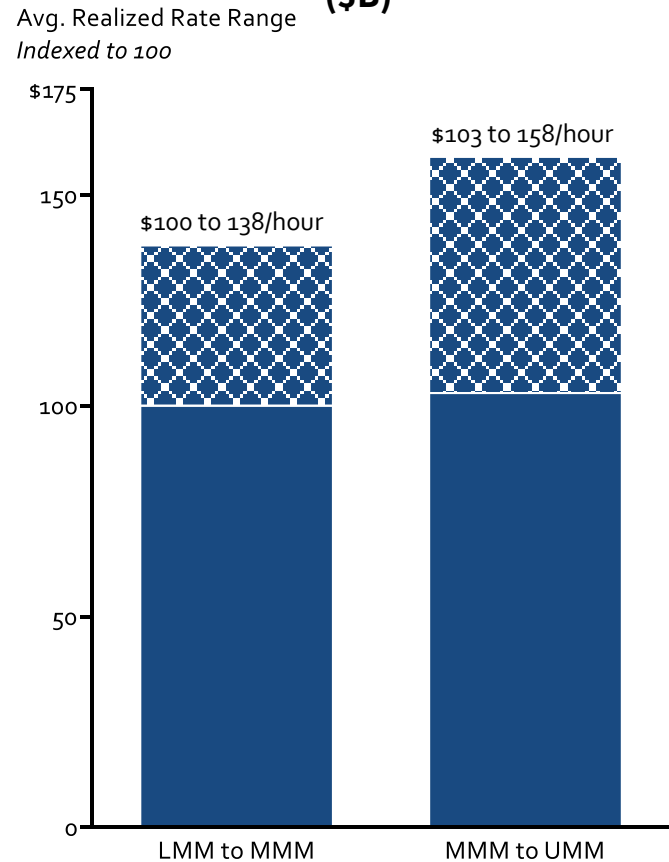
3

# MMM and UMM clients demand higher margin advisory, accept higher rates, and have a more attractive growth profile than other client sizes

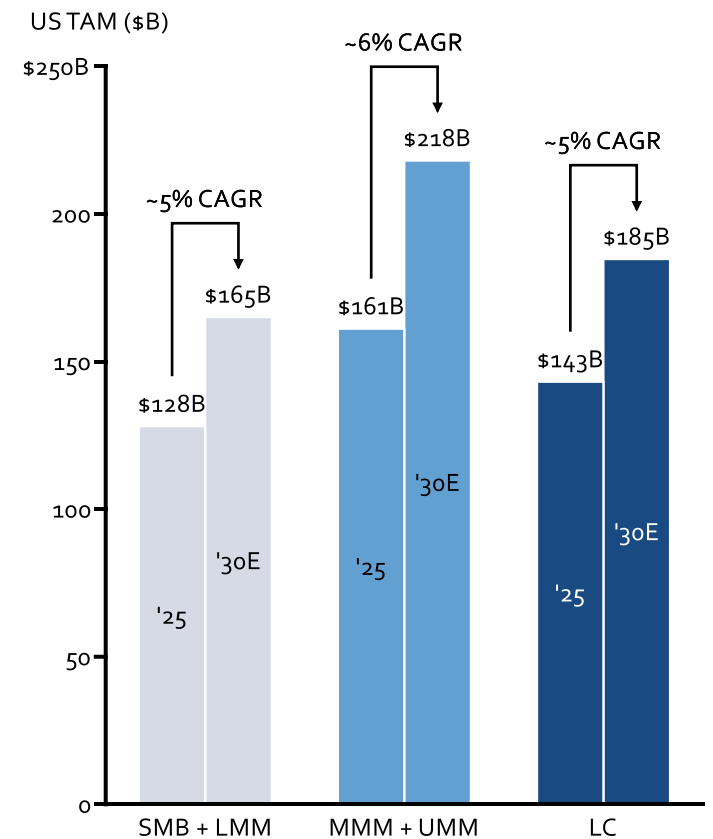
2025 US TAM by Client Size and Service Line (\$B)



Realized Rate Ranges for Audit by Client Size (\$B)



2025 and 2030E US TAM Growth by Client Size (\$B)



4

# Commercial excellence is paramount to drive top- and bottom-line expansion, including pricing, cross-selling, and operating system

| Dimension                            | Description   | Why it Matters  | Impact and What We've Heard  |
|--------------------------------------|---|---|--|
| 1 <b>Pricing Strategy</b>            | Structured approach to rate-setting, discounting, value-based packaging, and realization management across services and client segments (sector and size)                                     | Protects margin, improves predictability of profitability, reduces "silent leakage" from discounting, and reinforces brand positioning      |  "Pricing is where margin is won or lost in this business. Firms that standardize scoping and actively manage realization avoid giving away profitability through 'one-off' discounts"      |
| 2 <b>Cross-Selling Motion</b>        | Identifying and selling additional service lines to an existing client. Many CPA firms aim to sell add-on Advisory services to current Tax clients, for example                               | Increases share of wallet, deepens client stickiness, and drives durable organic growth with lower client acquisition cost (CAC) vs net-new |  "The easiest growth is inside the clients you already have. If you're doing tax but not identifying advisory opportunities, you're leaving share of wallet on the table"                   |
| 3 <b>Sales Enablement</b>            | Building the tools, training, messaging, and playbooks that help partners and BD teams sell consistently (e.g., ICP, proposals, case studies, objection handling)                             | Improves win rates and cycle times, elevates consistency across offices/partners, reduces reliance on "rainmakers", and drives focus        |  "Few partners can sell consistently without support. The firms that invest in a clear ICP, messaging, and better proposals see higher win rates and rely less on individual rainmakers"    |
| 4 <b>Channel / Alliance Strategy</b> | Defining priority referral sources and partnerships (e.g., law firms, banks, wealth managers, ERP providers, PE/portfolio ecosystem) with clear coverage and reciprocity                      | Creates scalable lead flow, expands reach into target segments, and improves qualification quality through trusted introductions            |  "Referrals drive many quality opportunities, but they must be managed like a channel. Clear priorities, mutual value, and discipline turn alliances into a repeatable, qualified pipeline" |
| 5 <b>Account Management</b>          | Implementing a formal program to retaining and expanding key relationships (account plans, QBRs, stakeholder mapping, renewal risk management)  | Increases retention, stabilizes revenue, and converts "satisfied clients" into growing accounts with repeatable expansion motions           |  "As clients consolidate vendors and expect more, proactive account plans and senior-level touchpoints are what convert satisfied clients into expanding, long-tenured relationships"     |
| 6 <b>Revenue Operations</b>          | Establishing the operating system for growth: CRM hygiene, pipeline governance, forecasting cadence, conversion timeline, KPI dashboarding, and process standardization from lead-to-contract | Improves visibility and accountability, reduces friction across marketing/BD/partners, and enables data-driven decisions at scale           |  "If you don't have a clean view of pipeline and performance, you can't forecast or manage growth. Rev Ops creates accountability and makes the commercial engine scalable"               |

5

# Supply-side differentiation is underpinned by superior development and delivery of the employee value proposition (EVP)

Hygiene Elements – Financial and Stability

## Comp (ensation)

Magnitude of remuneration, modality of structure (fixed vs. variable), and performance upside for overweight contribution

## Coverage

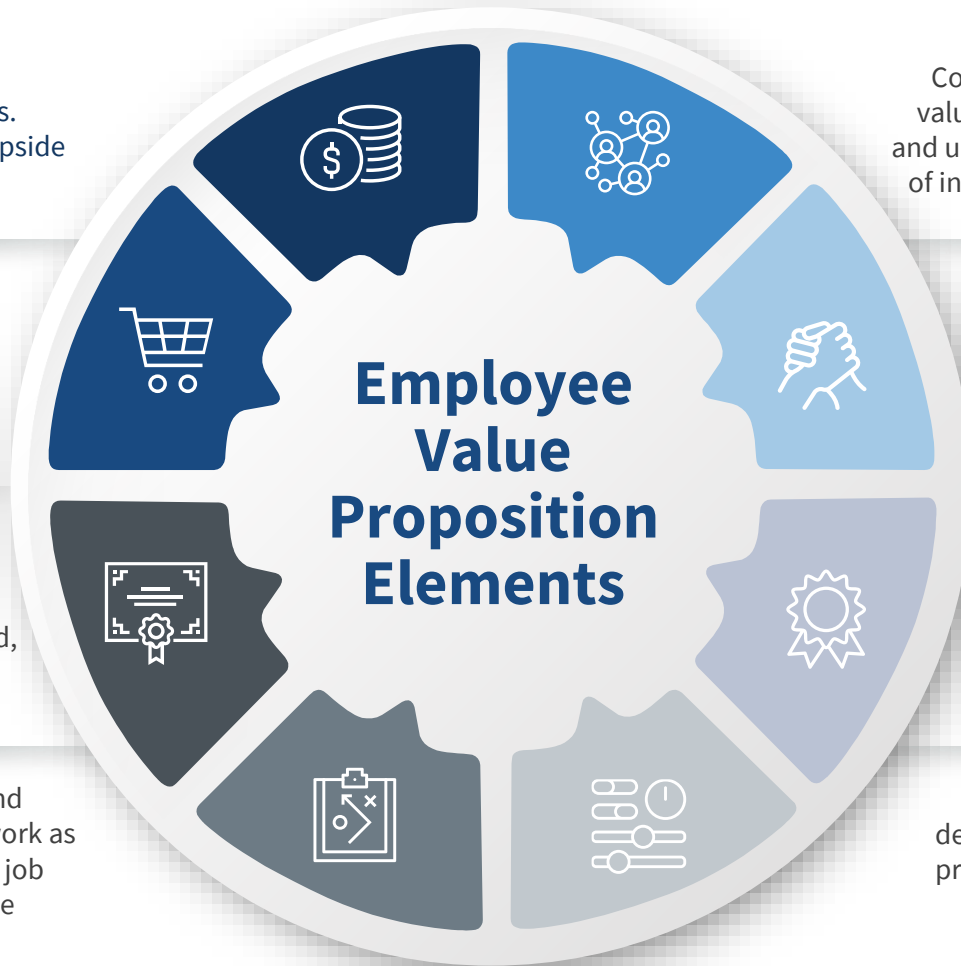
Access to proper healthcare benefits, retirement packages, paid time off/sick days, and in-office policy

## Credential

Continual learning and development, upskilling opportunities, and formalized, level-specific trainings

## Closure

Support with exit planning and connection with alumni network as well as proper valorization of job experience in the marketplace



Combination of guiding corporate values, overarching mission/vision, and unspoken (but generalized) code of interaction and behavioral rituals

## Culture

Alignment between stated values and lived experience, reinforced by quality and commitment of leadership

## Coherence

Availability of meaningful work and proper recognition and reward of personal and collective achievements

## Celebration

Agency in determination of development pathway and career progression, marked by continual personal/professional growth

## Calibration

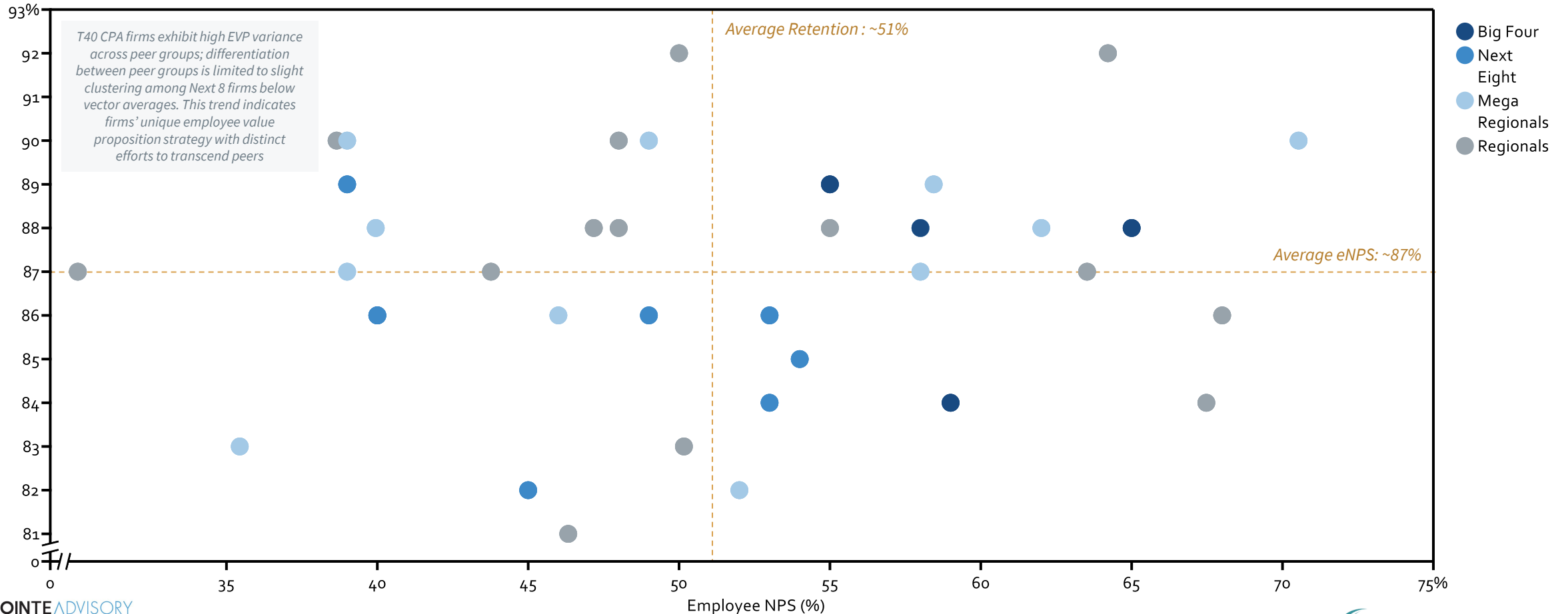
Motivation Elements – Social and Development

5

# Bespoke employee value propositions by firm result in significant variance across EVP vectors, with limited clustering among peer groups

## Employee Net Promoter Score vs. CSP Retention Rate by CPA Firm Tier

CSP Retention (%)



# 5 At the Partner/Managing Director (PMD) level, there is a fundamental shift in the model from deferred income distribution to equity roll-overs

## Traditional Partner Compensation Model

Sources of partner compensation within an independent firm structure are two-fold between annual compensation (fixed and variable) and deferred income (units/shares)

### Annual Remuneration

- Combination of fixed salary and variabilized reward component based on company performance
- Entitlement to profit distributions based on “units” of shares owned with agency to select frequency of “draws”
- Consequently, units of shares are effectively earnings claims and not liquid until end of career (or firm exit)

### Deferred Income

- Guaranteed downstream income in the form of a pension, profit draws during phase-out period, and sale of shares
- Existence of multiple stipulated agreements for salary payment during pre- and post-retirement period
- Major capital event occurs at end of career (or firm exit) when shares are liquidated at higher valuation than initially purchased

## PE-Backed Partner Compensation Model

Within a PE-backed scheme, deferred income is eliminated as firms move toward corporate structures where partner equity is only realized if enterprise value appreciates (vs. assured)

### Annual Remuneration

- Continuity of fixed salary and performance based bonus, with increasing shift to the latter based on individual results
- Intention to shift compensation mix of fixed-variable from current 90-10 split to 70-30 within the next 3-5-years
- KPIs to evaluate individual performance are increasingly customized to partner archetypes (sellers, doers, leaders, etc.)

### Equity Roll-Over

- PE deals typically involve creation of a NewCo entity with majority PE ownership and minority stakes for CPA firm partners
- Value of shares in NewCo are regularly appraised (quarterly/weekly) and can become liquid during a 2<sup>nd</sup> turn
- Share price is inextricably linked to enterprise value, which factors both EBITDA and earnings multiple

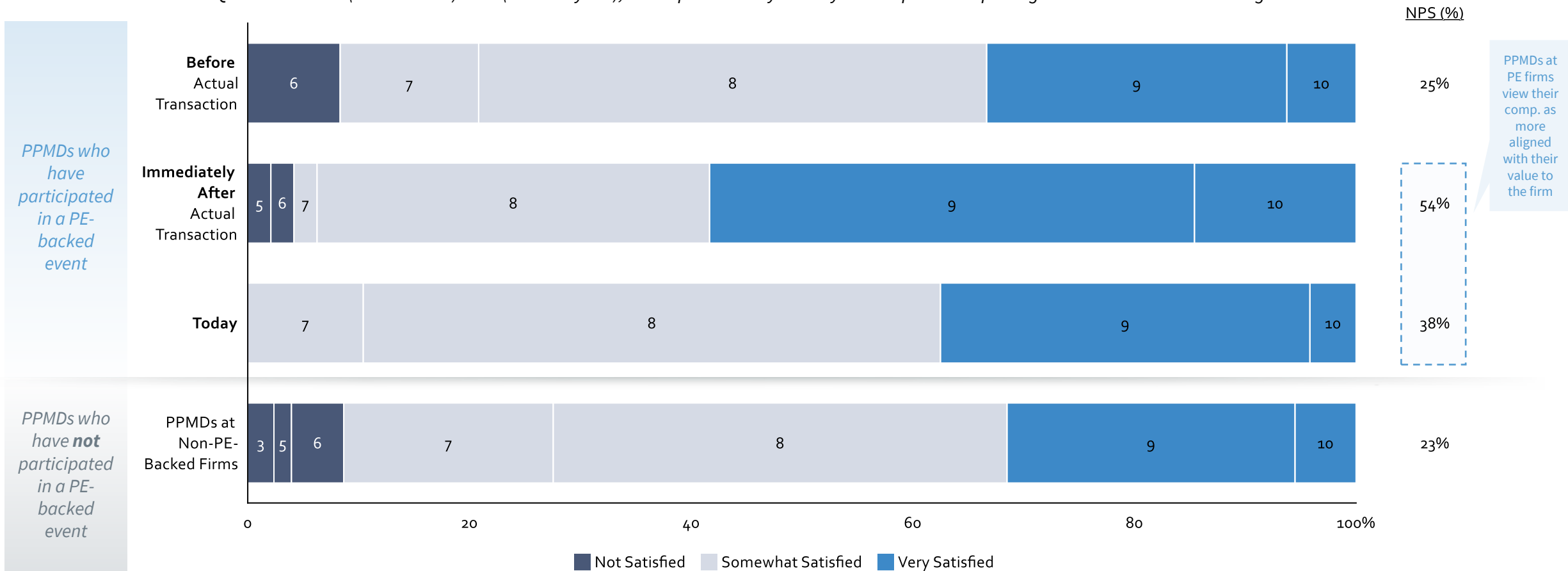
**Key Takeaways:** Under PE ownership, partners at CPA firms forfeit their deferred income in favor of equity in newly created legal structures, which are (almost) exclusively reliant upon EBITDA expansion, multiples accretion, and enterprise value, resulting in greater partner alignment with firm results (as opposed to previous model of collective profit-sharing and end-of-career payout)

**Main Implications:** Elimination of deferred income stream creates singular pressure around equity exposure and thus urgency to expand EBITDA in order to “future-proof” to the extent possible the equity payout during subsequent capital events, naturally playing into criticality of value creation capture across notable “lift” levers, such as cross-selling, pricing strategy, and AI deployment

# To date, PMDs at PE-backed companies are among the markets' most satisfied due to appeal of cash for equity (with appreciation) exchanges

## PPMD Satisfaction Scores for Compensation – Before and After PE Transactions

Q: On a scale of 0 (not at all fair) to 10 (extremely fair), how equitable did you feel your compensation package was at each of the following times?

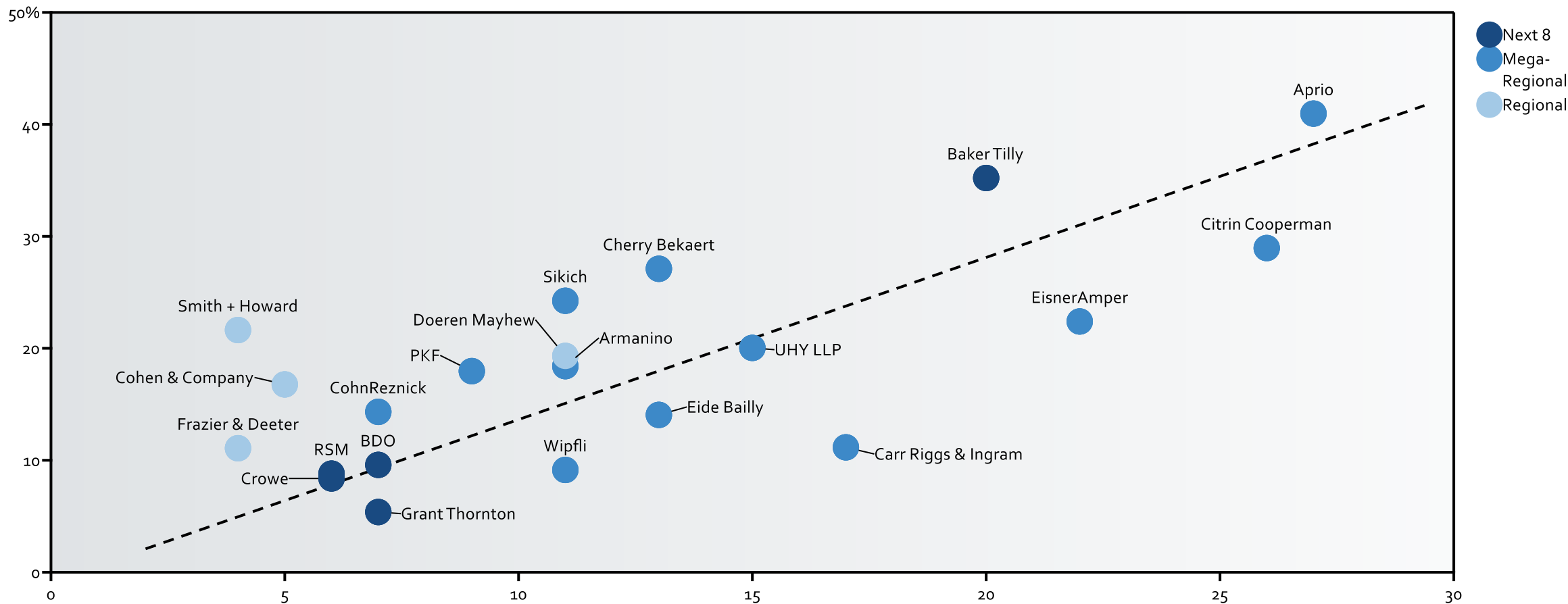


6

# Inorganically, volume of deals completed across last 4-years is linearly correlated with a firm's CAGR, highlighting the importance of M&A

## T25 (excl. B4) Firms – 4-YR CAGR versus Number of Deals Completed (2021-2025)

4-YR CAGR (2021-2025)

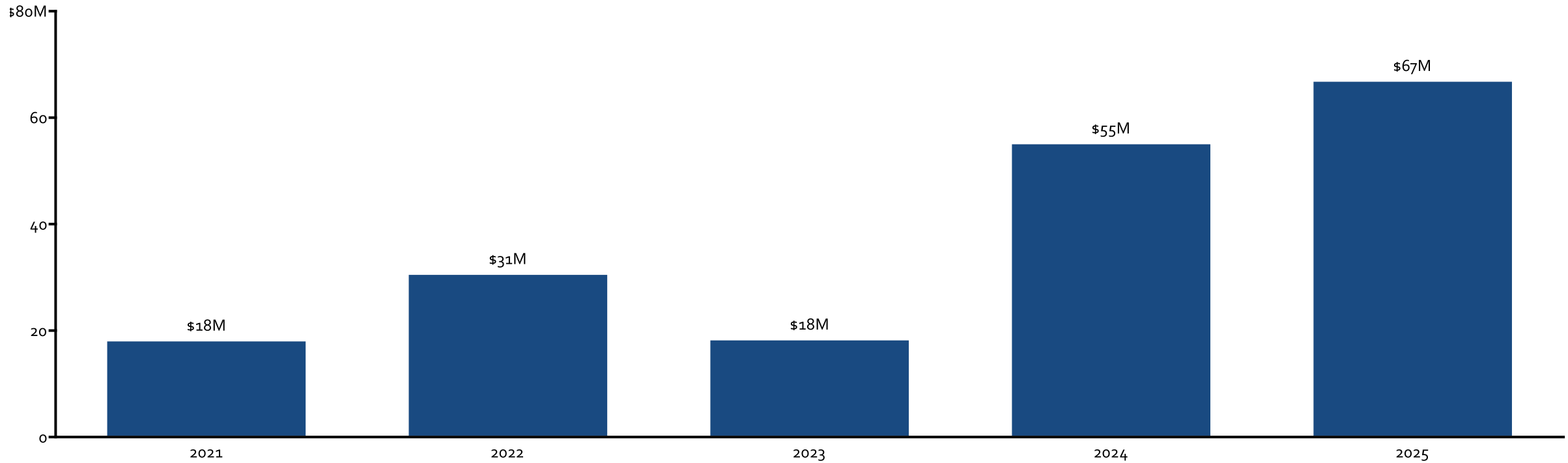


6

# The profile of M&A is expanding, with revenue sizes for Next 8 purchases (as an example) rising from ~\$20-30M in '21-'23 to \$50-70M in '24-'25

## Next 8 Acquisitions Aggerated by Avg. Acquired Company Revenue Size – 2021 to 2025 (excl. merger of equals)

Avg. Deal Size



| Total # of Acq. ('21-'25) | 2021 | 2022 | 2023 | 2024 | 2025 |
|---------------------------|------|------|------|------|------|
|                           | 22   | 31   | 10   | 18   | 16   |

# 6 Moving forward, competitive bids for M&A will intensify, but a growing pool of sellers should keep bid-ask spreads in check

## Demand Side

*Structural Drivers of Multiple Expansion*

**Institutional capital, platform scarcity, and the defensive growth profile of scaled CPA firms are supporting elevated multiples for high-quality CPA assets**

### 1. Institutional Capital Has Repriced the Category

- CPA platforms now underwritten as scalable, recurring “infrastructure” assets
- Larger funds and platform scarcity are increasing bidding intensity

**Effect:** The category has shifted from yield-oriented to growth-plus-infrastructure underwriting, fundamentally supporting valuation expansion

### 2. Scarcity of Scaled, Investable Platforms

- While capital supply has expanded materially, the supply of scaled, institution-ready assets remains structurally constrained
- Buyers pay for multi-service breadth, leadership depth, and integration readiness
- Premiums concentrate in scaled, differentiated platforms

**Effect:** Mismatch between capital abundance and platform scarcity drives premium bifurcation, with scaled assets clearing at meaningfully higher multiples

### 3. Durable Base and Structural Growth Overlay

- Recurring compliance revenues anchor downside protection
- Advisory and consulting provide mix shift upside
- Unlike cyclical professional services - compliance base reduces revenue volatility, while AI is seen as productivity unlock over a displacement risk

**Effect:** Buyers underwrite stability and margin expansion plus M&A optionality

## Market Tension

*High demand meets forced supply, sustaining elevated valuations & continued deal flow*

*Capital is competing aggressively for scarce scaled platforms; at the same time demographic and financial pressures are forcing firms to transact*

## Supply Side

*Structural Drivers of Forced Transactions*

**Demographic transition, rising capital intensity, and self-reinforcing consolidation dynamics are creating a sustained pipeline of motivated sellers**

### 1. Demographic transition is increasing liquidity

- Concentrated retirements of equity partners across the MM within a compressed 5–10-year window are creating succession-driven sale events
- Next generation partners face higher capital contribution and reinvestment obligations, while retiring partners are weighing finite liquidity windows

**Effect:** Generational transition is creating a sustained pool of motivated sellers

### 2. The Cost of Independence Has Permanently Increased

- Competitive viability now requires sustained investment in AI enablement, data architecture, cybersecurity, and scalable delivery infrastructure
- Talent, compliance, and reporting expectations are institutional-grade

**Effect:** The threshold to remain competitive has risen materially, placing structural pressure on subscale firms to seek external capital or platform alignment

### 3. Consolidation is becoming self-reinforcing

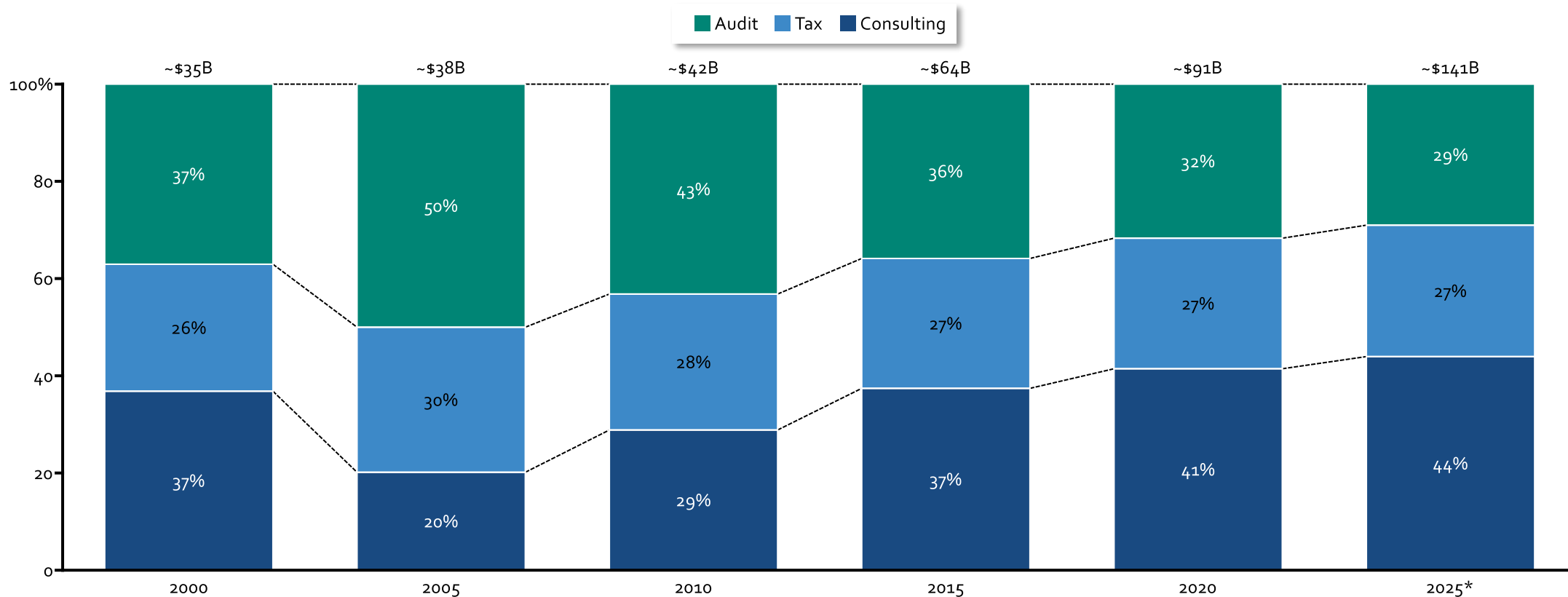
- Scaled platforms are reinvesting faster in talent, tech, and GTM, widening the gap vs independents
- Firms that delay strategic decisions risk relative devaluation, talent migration, and diminished negotiating leverage as consolidation accelerates

**Effect:** Consolidation momentum itself increases urgency to transact (i.e., fear of missing out), reinforcing supply even in an elevated multiple environment

# 7 Since the GFC, CPA firms have meaningfully changed SL exposures (>2x from '05 to '25), incrementally shifting their mix to Advisory from Audit

Top 100 CPAs Service Line Breakdown (2000-2025)

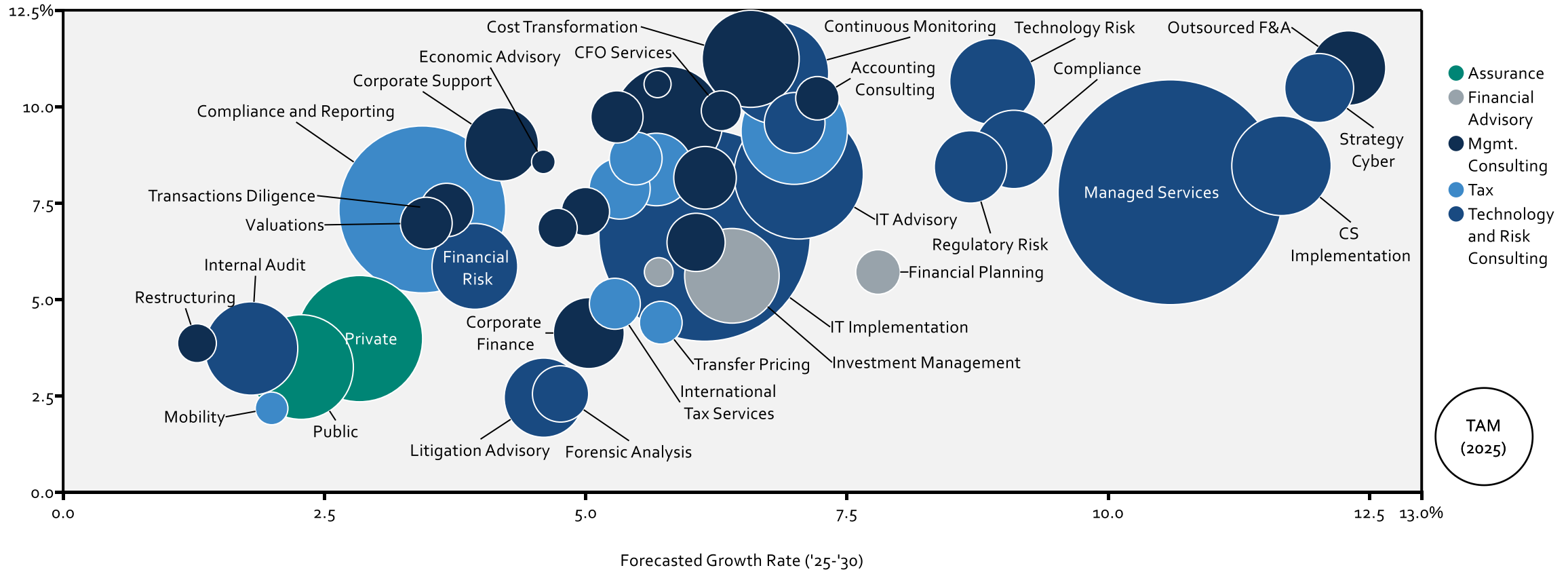
Top CPA firms have experienced a meaningful shift through economic upturn periods resulting in higher exposure to a broad set of Advisory services as the market has re-factored and generated new needs previously un-existing or un-vended, linked to the growing complexity of client needs



# 7 Advisory is forecasted to lead growth through '30, with accelerated run-rates across Cyber, Risk, Digital, and Outsourced delivery offerings

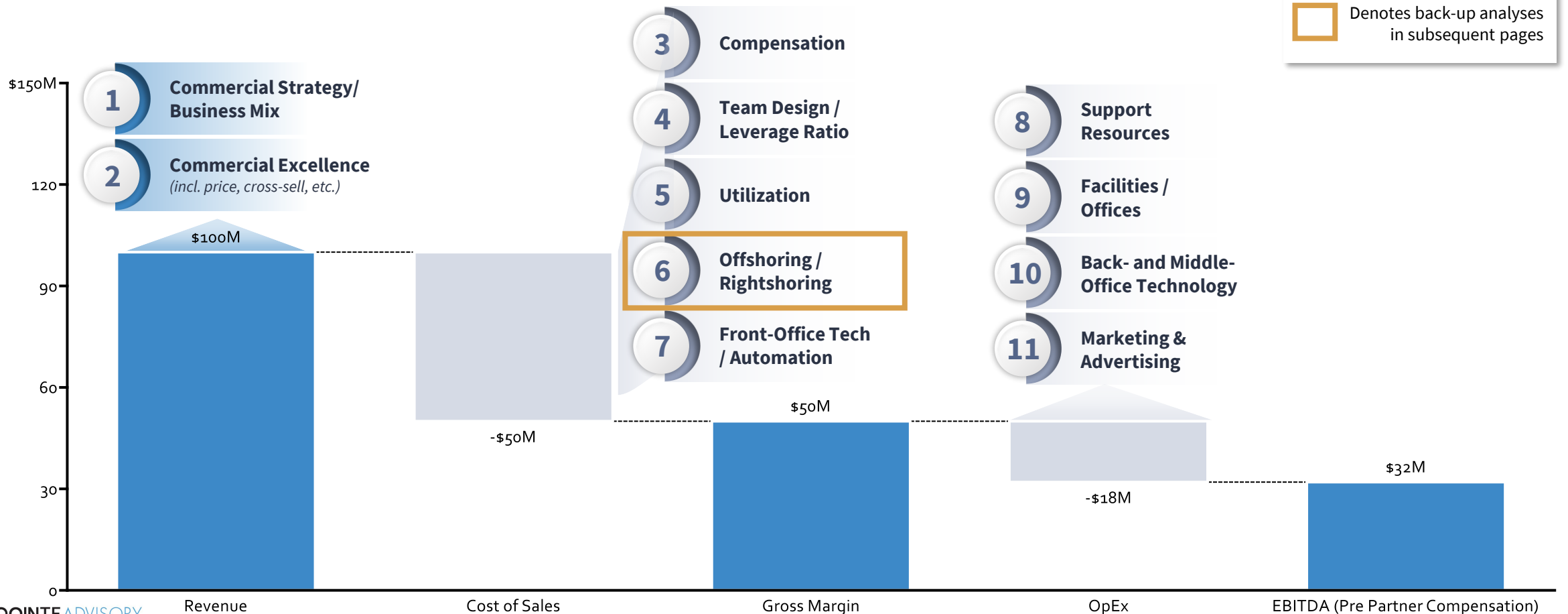
## 2025E US TAM Competency-Level Historical CAGR ('20-'25) vs. Forecasted CAGR ('25-'30)

Historical Growth Rate ('20-'25)



# Value creation addressing key cost of revenue and OpEx levers is a valuable, viable, and increasingly proven path to EBITDA accretion

## Representative EBITDA Walk and Value Creation Levers



Denotes back-up analyses in subsequent pages

# 8 Offshoring capitalizes on labor cost arbitrage and has traditionally been anchored in India, with recent diversification for risk and skill reasons

## T25 Most Popular Offshoring Locations

### OFFSHORING POPULARITY

LOW

HIGH

### EASTERN EUROPE + CENTRAL ASIA

- Strong technical accounting background drives appeal; hot spots include Turkey, Greece, Romania, and Kazakhstan
- Eastern Europe time zone overlaps with Western Europe & US enhances appeal

Example Firms:   

### INDIA

- Dominant offshore hub providing unmatched scalability and deep accounting talent pipelines via >200K professionals employed by T40 US CPAs
- B4 India hubs date back to the 90s & est. mature infrastructure & delivery models

Example Firms:   

### SOUTH AMERICA + MEXICO

- Nearshoring soaring due to time zone alignment with the US and easier real-time collaboration
- Mexico's gov't encourages study of acct. to bolster base; English proficiency creates headwinds

Example Firms:   

### SOUTH AFRICA

- Rising "premium offshore" location with highly reputable accounting qualifications but higher costs
- Time zone advantage for UK/US

Example Firms:  

### SOUTH-EAST ASIA

- Rapidly-growing alternative enabled by English proficiency; concentrated in the Philippines
- Facilitates diversification from the existing India-centric model but elicits scalability concerns

Example Firms:   

### COUNTRY

Compared to average US entry-level wage at \$55-65K

| COUNTRY                  | WAGE RANGE | % OF US WAGE |
|--------------------------|------------|--------------|
| SOUTH AMERICA + MEXICO   | \$6-14K    | ~18%         |
| INDIA                    | \$4-11K    | ~13%         |
| SOUTH-EAST ASIA          | \$4-12K    | ~15%         |
| SOUTH AFRICA             | \$6-18K    | ~20%         |
| E. EUROPE + CENTRAL ASIA | \$7-17K    | ~22%         |

AVG. ENTRY-LEVEL ACCOUNTING WAGE (USD)

### DRIVERS OF OFFSHORING BEYOND INDIA

Firms are looking beyond legacy India offshoring due to:

- 1 **Time Zone & Collaboration Proximity:** Nearshoring appeals to needs for real-time collaboration and communication, esp. for higher-value advisory work
- 2 **Skill Portfolio Optimization:** Regional skill specialization enhances broadened offshore accounting capabilities
- 3 **Resilience-Driven Risk Diversification:** Single-location model and geopolitical risks drive firms to increase their offshoring footprint and establish multiple hubs
- 4 **Shrinking Cost Arbitrage:** Cost savings continue but salary growth reduces attractiveness vs. other low-cost locations

Source: LinkedIn Talent Insights, Company Websites, Glassdoor, SalaryExpert

Note: Map portrays top 25 most popular offshore locations for the top 40 CPA firms but is not exhaustive; Example firms may include associated independent member firms; Big Four largely have a scaled presence across popular offshore locations

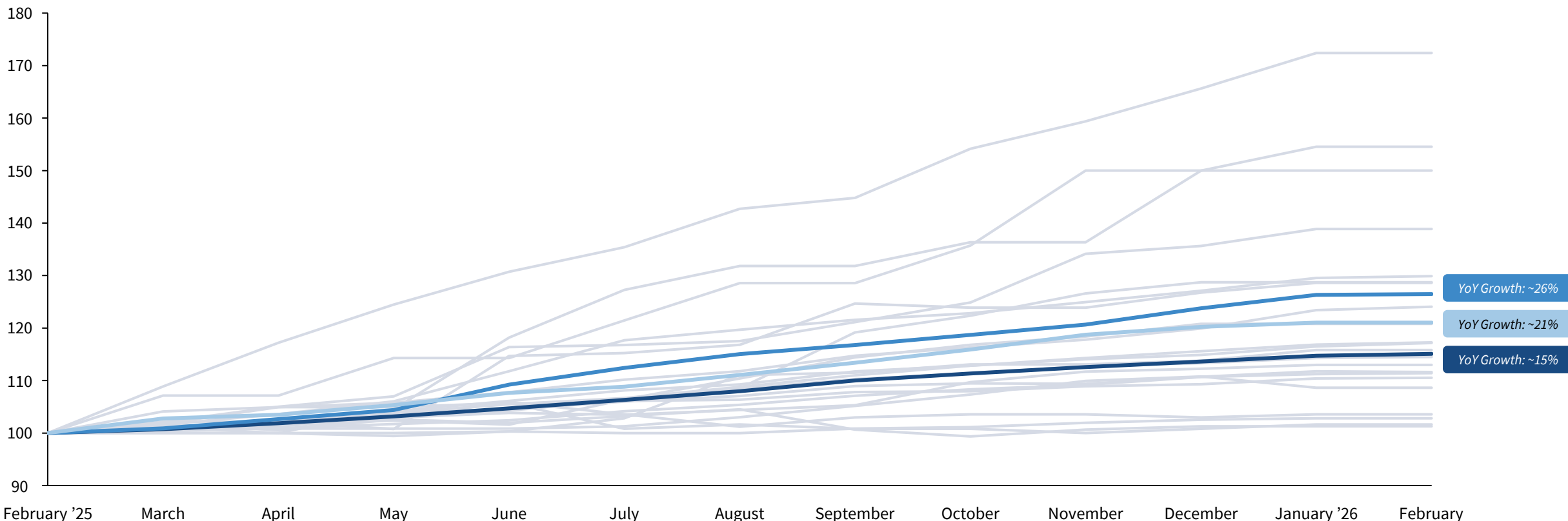
9

# Sustained India headcount expansion signals continued CPA offshore investment, indicating untapped value plays and AI non-substitution

India FTE Headcount, T25 CPA Firms TTM (Indexed to 100)

■ Big Four ■ Next Eight ■ T25 (excl. T12)

India Headcount TTM, Indexed to 100

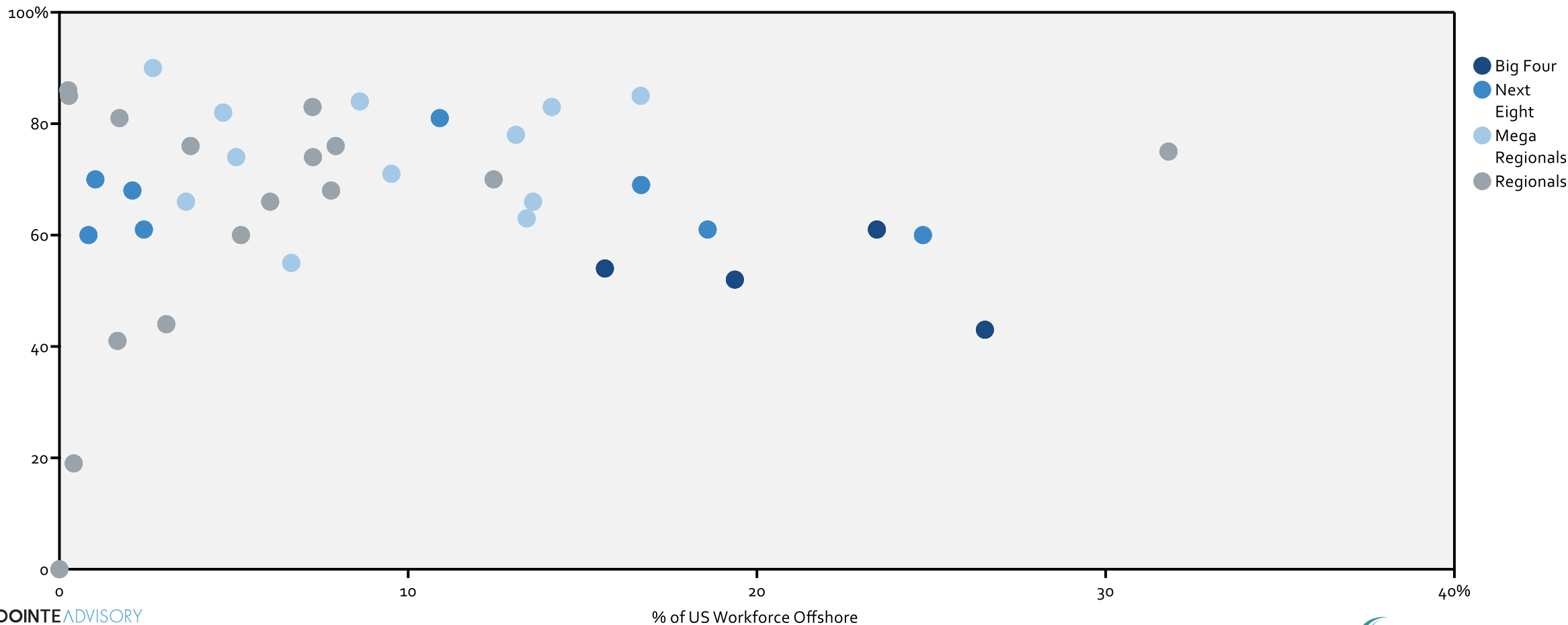


8

# Greater offshore usage can lift Advisory mix by re-classing compliance delivery and refocusing onshore hours to higher-value services

## Share of Offshore Employees vs. Share of Compliance-Related Revenues (i.e., Audit/Tax)

% of Compliance-Related Revenues



# AI-induced change will reconfigure the CPA+ market, but the change will be gradual due to conversion issues; winners will accrue outsized gains

## AI Impact on the CPA+ Market over the next 5-10-years



01

AI-induced change will reconfigure CPA+ market, but timeline will be elongated and gradual as opposed to immediate and sudden

- AI will alter commercial models, delivery structures, and service offerings to the degree that historical drivers of “alpha” will fundamentally change
- Nevertheless, protective mechanisms, systemic frictions, and structural moats will result in ~8-10-year disruption as opposed to short-term transformation

02

Magnitude and velocity of impact is substantially variegated by SSL according to business model continuity/discontinuity

- Sub-services of the CPA+ market that present greater repeatability of workflow, commoditization of product, and time-based billing will be earlier to evolve
- Meanwhile, sub-services grounded in human-judgment-based expertise, relational delivery, and accountability/liability transfer will retain defensibility for longer

03

Translation of innovation and use case deployment into meaningful economic P&L impact will be burdened by “conversion” issues

- AI technology is advancing rapidly and already generating massive efficiencies, quality improvements, and net new demand, but the margin uplift (on average) has been minimal
- Major hurdles include overlaying AI on legacy processes, conceding efficiency gains to customers, failing to re-purpose liberated capacity, and lack of operating model change

04

Unlike historical precedent, future performance of winners will be more dispersed relative to a declining bell curve average

- For the last >10-years, top 100 CPA firm performance has been relatively concentrated with tight distribution around consistent mid-single-digit growth
- Moving forward, median performance for top 100 players will shift to the left, however, winners will drive greater outlier performance, underpinned by AI strategy and operations

05

Clustered AI points of departure merit proactive initiative and immediate partner-based actions as well as landscape monitoring

- Outside of the Big Four, most T25/T50 groupings of CPAs are largely at parity from an AI maturity perspective, indicating substantial first-mover advantages for audacious firms
- Leaders will demonstrate proactivity and will leverage a partner ecosystem vs. Capex; they will also be attuned to the developments occurring between AI labs and PE funds

# AI impact on CPA TAM can be framed on a spectrum from incremental enhancement of the current model to fundamental reinvention

## Business Model Continuity Spectrum



### CONTINUITY

### TRANSITIONAL

### DISCONTINUITY

Time Horizon

1 **Current model persists** through 2035+ with **incremental AI augmentation**

Model evolves materially by 2030–2033; firms that **adapt early gain advantage**

**Fundamental model shift required** by 2028–2030; laggards face displacement

Commercial Model

2 **Time & Materials or fixed-fee pricing holds**; AI reduces cost per engagement, but pricing structure stays mostly intact

Pricing shifts toward **managed service contracts and blended models**; hourly economics begin losing traction

**Product-based, subscription, or unit-priced delivery replaces engagement-based billing**; the "hour" ceases to be the default unit of value

Buyer Criteria

3 Clients buy on **relationship, trust, and sector/technical expertise**; price is secondary to quality and judgment

Clients begin **benchmarking AI-enabled efficiency**; expect some fee pass-through but still value advisory overlay

**Clients buy on output, speed, and cost**; provider interchangeability increases; platform and product quality replace partner credibility

P&L Translation

4 **Margin expansion** — AI reduces delivery cost while pricing holds or expand; efficiency gains accrue to firm

Mixed — **some margin expansion from efficiency offset by pricing concession in competitive segments**; overall effect remains modestly positive

**Revenue compression risk** — pricing declines faster than cost reduction; **margin pressure unless firm has shifted to product/managed service model**

Team Structure

5 **Stable pyramid, recognizable roles; AI assists at every level** but does not change who does what

**Pyramid flattens — junior roles compress**; senior/manager layer expands; leverage ratios shift 15–25%

**Radical restructuring** — AI handles base-layer production; **human role is oversight, judgment, and client relationship**; team size drops 40–60%

Competitive dynamics

6 **Incumbent advantages hold** — relationships, knowledge, switching costs protect position

Incumbents with **AI execution capability pull ahead**; laggards **start losing on efficiency** and turnaround

**AI-native entrants and tech platforms compete directly**; incumbents without product strategy lose share in commoditized segments

# 9 Mapping end-state business models across SSLs, sectors, client profiles, and cross-sell dynamics helps inform go-forward strategic postures

## Business Model Continuity Spectrum



**Continuity SSLs need incremental AI enhancement** (tools, training, governance). **Discontinuity SSLs need strategic bets** (product development, JV partnerships, pricing model reinvention, workforce restructuring)

# 9 Translating AI-efficiency gains into P&L outcomes is exceedingly difficult due to the “compression to conversion” problem

## Drivers of Change

## “4C” AI Value Journey

## Inhibitors of Change

### Catalyst Impact

#### Future Proofing and Early Mover Advantage

Race toward re-imagining the CPA business model to be tech-led, human supported or tech autonomous versus the current human-centered, tech-enabled construct and correspondingly re-engineering the delivery system, leverage structure, and pricing

#### Urgency and Magnitude of Return

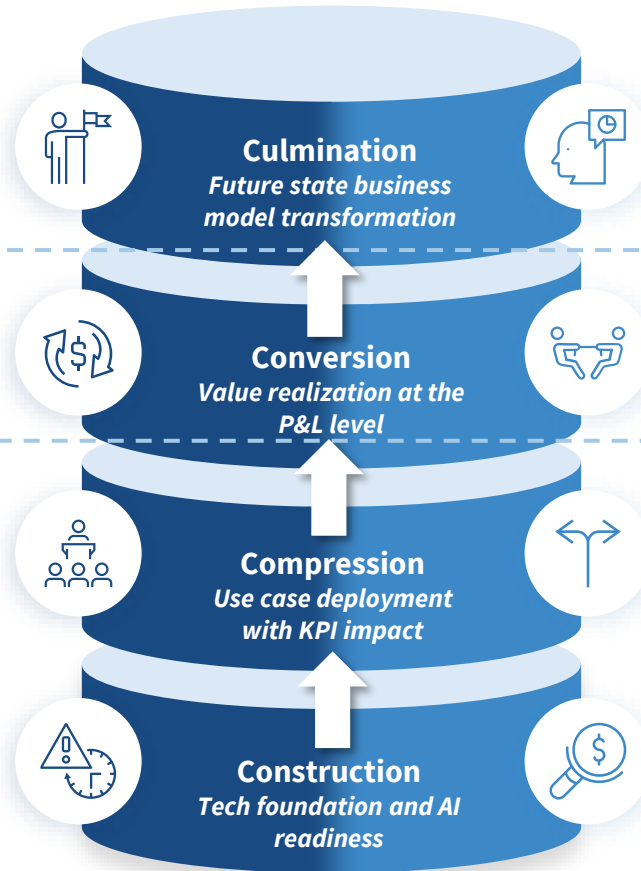
Pressure on executives to quantify the financial gain from AI investment and translate pilots/launches into visible and meaningful top- and bottom-line metric improvement; customer also seek to share in the surplus created from time savings

#### Buyer, Talent, Management, and Competitor Expectation

Stakeholders unanimously anticipate CPA providers to invest in AI tools, train and upskill their workforces, and outmaneuver competitors with higher-value solutions, while improving firm economics from the efficiencies generated

#### Enablement Necessity and Vendor Obligation

Leadership consensus that tech stack modernization is requisite to future-ready the business and permit AI innovations, combined with mandated on-prem to off-prem migrations for continued application actualization and service support



#### Enduring Human-in-the-Loop Role

Current inconceivability of human judgement replacement due to valorization of “making calls in uncertainty” and accountability considerations to have a liable partner to “stand behind” work product (e.g., for lawsuit prevention, tax controversies, etc.)

#### Institutional Politics and Incentive Misalignment

Comfort with inertia, promotion of personal agendas, indecision with timing, and lack of commensurate rewards for desired behaviors (e.g., workforce right-sizing and people re-deployment) chronically delays (and negates) value capture

#### Decision Paralysis and Dis-synergized Use Cases

Pursuit of multiple AI initiatives simultaneously dilutes individual and collective value; additionally, approach to roll-out is usually “imposed” to existing workflows vs. re-designed in a fit-for-purpose manner to truly capture the technological benefits

#### Capital Outlay and Implementation Challenge

Substantial Capex and Opex commitments required for enterprise-wide technological initiatives, compounded by typically prolonged and complicated migration/deployment journeys, especially for first-time recipients of change programs

### Resistance Impact

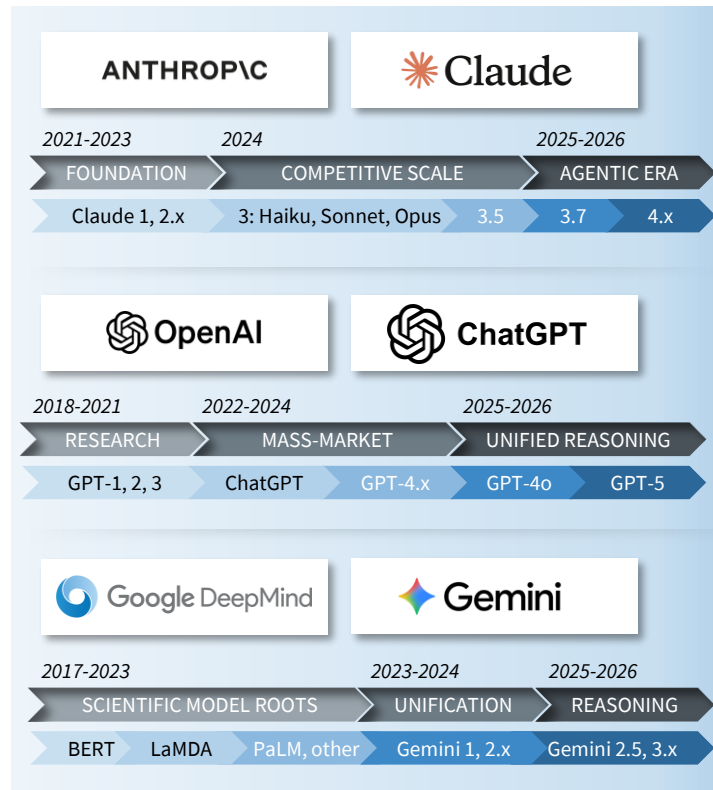


9

# Partnerships and monitoring of ecosystem change will be vital; notably, AI Lab ties with consultancies and PE as GTM distribution channels

## AI Lab Model Progression

AI technology has rapidly advanced within the last years; however, relying solely on direct B2B distribution channels creates critical adoption bottlenecks as labs struggle to transition from AI experimentation to large-scale deployment and enterprise customization, leaving untapped growth potential



To accelerate adoption and drive uptake, providers have begun employing various alternative distribution channels

|   | Examples (Active / In-Talks)  | Disruption Dynamics  | Adoption Forecast |
|---|---|--|-------------------|
| <p><b>Sell-Through Professional Services Partnerships</b></p> | <p><b>Anthropic</b></p> <ul style="list-style-type: none"> <li>Accenture, Deloitte, BCG, PwC, Cognizant</li> </ul> <p><b>OpenAI</b></p> <ul style="list-style-type: none"> <li>Frontier Alliances (BCG, McKinsey, Accenture, Capgemini), Bain</li> </ul> <p><b>DeepMind</b></p> <ul style="list-style-type: none"> <li>McKinsey, Deloitte, Accenture</li> </ul>                             | <p>AI Labs outsource GTM to consultancies, leveraging existing C-suite relationships and domain expertise to reach additional clients; end-client incumbent vendors including IT teams and SaaS vendor consultancies are at risk of substitution</p>                               |                   |
| <p><b>PE Fund Access to PortCo Portfolio</b></p>              | <p><b>Anthropic</b></p> <ul style="list-style-type: none"> <li>Blackstone, Hellman &amp; Friedman, Permira</li> </ul> <p><b>OpenAI</b></p> <ul style="list-style-type: none"> <li>TPG, Advent, Bain Capital, Brookfield Asset Management</li> </ul>   | <p>PE board authority bypasses the skeptical CTO bottleneck, mandating AI adoption across hundreds of portfolio companies simultaneously; PE's financial incentive to cut SaaS costs accelerates AI adoption while potentially displacing horizontal software vendors</p>          |                   |
| <p><b>Tech Platform Integration</b></p>                       | <p><b>Anthropic</b></p> <ul style="list-style-type: none"> <li>AWS, Google Cloud, Azure</li> </ul> <p><b>OpenAI</b></p> <ul style="list-style-type: none"> <li>Azure, Amazon, Oracle</li> </ul> <p><b>DeepMind</b></p> <ul style="list-style-type: none"> <li>Android, Pixel</li> </ul> <p>Increased capabilities delivered via open weight AI models (i.e., GPT-OSS, DeepMind's Gemma)</p> | <p>AI Labs embed into cloud infrastructure as the default AI layer; hyperscaler adoption enables better compute power economics and establishes an emerging new standard for dynamic data system connectivity between firms and their cloud providers</p>                          |                   |
| <p><b>Direct to Client (B2B) Delivery</b></p>                 | <ul style="list-style-type: none"> <li>Primarily delivered via Claude for Enterprise, ChatGPT Enterprise, and Gemini Enterprise</li> <li>Gemini is also embedded into the Google workspace ecosystem (i.e., Gmail, Docs) and Google's search engine</li> </ul>  | <p>AI Labs sell directly to enterprises through custom pricing tiers, capturing full commercial value; simple platform access with data security enabled by dedicated infrastructure evolves the existing tech stack but adoption is constrained by enterprise capability gaps</p> |                   |

# Moreover, pace of change will be slowed by structural moats that establish floor and protect incumbents (though some erode in mid-term)

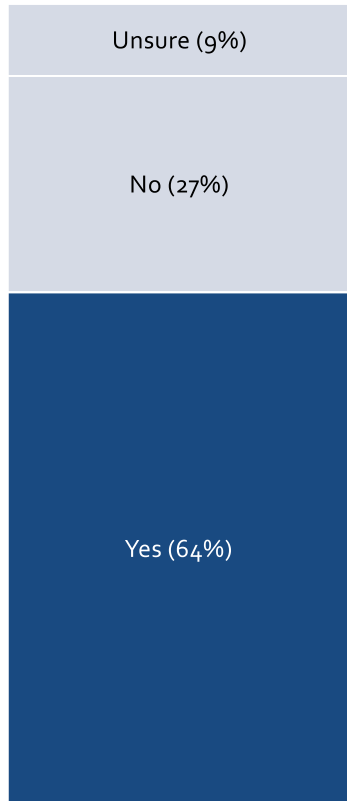
| STRUCTURAL MOAT                                    | DEFINITION  | MOAT RELEVANCE BY SERVICE LINE |        |          |
|--|---|--------------------------------|--------|----------|
|  |   | AUDIT                          | TAX    | ADVISORY |
| <b>Regulated Permission to Play</b>                | <i>Licensing, oversight, inspection, and compliance requirements that restrict who can provide services and how they are delivered, largely emanating from the SEC/PCAOB/IRS</i>        | High                           | Medium | Low      |
| <b>Liability + Trust (“Risk Transfer”)</b>         | <i>Legal and reputational accountability for engagement outcomes; a named party is on the hook when things go wrong, providing management teams plausible deniability</i>               | High                           | Medium | High     |
| <b>Switching Costs (Embedded Workflows)</b>        | <i>Depth of integration into client processes, data flows, and systems that makes switching disruptive, expensive, and time-consuming</i>   | High                           | Low    | High     |
| <b>Data, Knowledge &amp; Evaluation Frameworks</b> | <i>Accumulated proprietary knowledge (e.g., workpapers, libraries, position history, judgment precedent) that is difficult to replicate</i>   | High                           | Medium | High     |
| <b>Domain Specialization + Credibility in Room</b> | <i>Sector expertise, functional/technical excellence, market reputation, and interpersonal relationship depth that positions advisors as trusted and differentiated</i>                 | Medium                         | Low    | High     |
| <b>Talent Scarcity as Demand Floor</b>             | <i>Structural shortage of credentialed professionals (300K+ accountant exits, 126K annual positions) that sustains outsourcing demand (but erodes as AI expands effective capacity)</i> | Medium                         | High   | Low      |
| <b>Capital &amp; Tech Investment Burden</b>        | <i>Cost and complexity of deploying enterprise AI (data infrastructure, governance, change management) that slows adoption (but erodes over time)</i>                                   | High                           | Low    | Low      |

9

# Success in the post-AI market is less likely to be linked to a particular technology, and much more grounded in implementation

**Number of Partners Currently Using AI**  
(as of December 2025)

~2K partners



**Equip and Enable – Build the AI muscle**

Build confidence and fluency across the firm — ensure every Partner can articulate where AI adds value, what it changes, and how to talk about it with clients, emphasizing quality enhancements, risk mitigation, and advisory-orientation (as opposed to efficiency gains and reduced hours)



**Embed and Apply – Operationalize AI**

Integrate AI into everyday delivery – proposals, diagnostics, research, QA, insights, etc. – and proactively play a role in driving adoption across the firm, deploying new KPIs that track meaningful usage, while continuously upskilling the workforce to reach AI native/fluency proficiency



**Lead and Govern – Be the AI Champions**

Be the AI champions within each practice and proactively share wins, and drive adoption (but with appropriate levels of governance, such as centralized operating model and incubation departments), while also pursuing select disruptive and “moonshot” plays for differentiation

Are you currently using AI?

# Overall, Wave 2 will look very different than Wave 1, but the level of interest in the CPA+ firm is unlikely to wane



The **market is becoming more organically and inorganically challenging** (at a time where growth targets have become more ambitious from PE-sponsorship), which will result in an increasingly competitive environment amid decelerating secular growth and AI-induced uncertainty



**Winners and losers are likely to become more dispersed** going forward, requiring firms to amplify their “right to win” to generate out-performance relative to the market; **intentionality and “focus”** will drive the **strongest growth**, deliberately establishing ICPs and relentlessly delivering KPC success



PE firms’ **theses are evolving and becoming more nuanced**, which will require CPA+ firms to refocus their efforts on the value levers that are anticipated to drive the greatest TEV, while also acknowledging greater sensitivity to market “beta” and gradual change to the historical drivers of “alpha”



**AI is going to be disruptive**, but the nature of **change will be gradual and elongated** due to structural moats and frictions; rapidly changing ecosystem will not be linked to a differentiated technology, but rather, **how the technologies are being used will define differentiation**

# Still have questions? We can help!

Your authors have been involved in every accounting firm deal and have a combined century of experience in the space



**Stuart Ferguson**  
President,  
Stout Strategy



Stuart has nearly 15 years of strategy and financial consulting experience and is a recognized leader in advising professional services firms.

Prior to joining Stout, Stuart was a Managing Partner at Pointe Advisory, specializing in providing both buy- and sell-side commercial diligence services to a mix of middle-market and bulge-bracket private equity sponsors.

Stuart has led processes across more than 150 M&A deals, most recently in professional services. Stuart has advised clients across accounting, tax, legal services, risk, IT and AI strategy, and more.

Prior to Pointe Advisory, Stuart worked in Bain & Co's Private Equity Group and was an accountant at KPMG, specializing in hedge fund tax consulting.



**Fredy Irizarry**  
Managing Director,  
Stout Strategy



Fredy Irizarry has 15 years of experience in commercial due diligence, corporate strategy, and strategy consulting for both private equity and corporate clients across professional services and industrials sectors.

Prior to joining Stout, Fredy was a Partner at Pointe Advisory and led its private equity practice across both commercial diligence and portfolio company strategy engagements. Prior to Pointe, he was at Bain & Company leading private equity commercial due diligence and delivering growth strategy projects.

Fredy graduated from Harvard Business School as an MBA, Duke University as a Master of Engineering, and the University Of Maryland as a Mechanical Engineer.



**Bernardo Jativa**  
Managing Director,  
Stout Strategy



Bernardo has 10-years of experience delivering growth strategy, market assessments, competitive analysis, investment allocation, and commercial diligence mandates for Fortune 500 corporations and private equity funds.

Bernardo has supported market studies, peer benchmarks, and artificial intelligence (AI) deep dives for the Big Four and >10 OCFO/CPA+ processes across the US, UK, and LATAM. Prior to Stout Strategy, Bernardo was a Principal in Pointe's General Practice and worked at the OECD Development Center.

Bernardo holds a Bachelor of Science from the University of Richmond (Summa Cum Laude) and an MBA from the University of North America. He is also fluent in three languages.



**Allan Koltin**  
CEO, Koltin  
Consulting Group



As CEO of Koltin Consulting Group, Allan specializes in supporting professional and financial services firms in areas of practice growth, practice management, human capital, and mergers and acquisitions.

Allan is also a nationally recognized speaker and industry analyst and has been named by Accounting Today as one of the Top 100 Most Influential People in the accounting profession (and in 2023, 2024, and 2025, Allan was named by Accounting Today as one of the top 2 most influential in the accounting profession). He has appeared on multiple television networks and is quoted frequently by news outlets.

Allan is also the author-editor of three books for professional services firms.



**Chris Mazzei**  
Former Chief  
Strategy Officer



Chris Mazzei is a Senior Advisor for Stout Strategy and brings more than 30 years of experience shaping strategy, innovation, and data-led transformation for global professional services firms. At EY, he most recently served as Global Vice Chair, Strategy.

Previously, Chris was EY's Global Chief Data & Analytics Officer and Global Innovation Leader, building a center of excellence that embedded analytics across service lines and explored emerging technologies, such as big data, machine learning, and AI.

Chris holds an MBA from NYU Stern and a B.S. in Operations Research from Cornell University; he is currently an adjunct professor at both institutions.

# Thank You!

**Stuart Ferguson** 

President, Stout Strategy

+1 540-850-8059

sferguson@stout.com

<https://www.stout.com/en/services/strategy>

**Allan Koltin** 

CEO, Koltin Consulting Group

+1 312-805-0307

akoltin@koltin.com

[www.koltin.com](http://www.koltin.com)

**Fredy Irizarry** 

Managing Director, Stout Strategy

+1 908-304-2535

firizarry@stout.com

**Chris Mazzei** 

Advisor, Ex. Big Four Executive

+1 908-581-1331

chrismazzei20@gmail.com

**Bernardo Jativa** 

Managing Director, Stout Strategy

+1 804-298-4745

bjativa@stout.com