

Accounting firms fetch higher prices as supply dries up

BUSINESS

A quiet consolidation in the regions means fewer sellers and now buyers are changing their strategy, says one specialist.

By [Philip King](#) • 29 March 2023 • 4 minute read

Accounting practices are selling for higher prices with fewer of the most attractive firms coming up for sale, according to one buyer's agent, who said there had been a "quiet consolidation" in the regions.

Radar Results said the most sought-after firms generated fees of \$1 million to \$2 million, although larger operations with \$5 million in revenue were also in demand.

"It is simply a matter of supply and demand, with fewer sellers on the market," it said.

Consultant Brett O'Malley said large accountancy firms had changed their purchase strategy recently from upfront buyouts to gradual takeovers.

"The vendor has to stay on for between five and seven years, but they do get a much greater multiple," he said. "It's a new exit strategy that these guys are using and it seems to be working because they're taking a lot of the small stuff away."

He said this strategy tended to target one to two-partner firms with annual revenue of \$1 million to \$2 million.

Another dynamic concerned hybrid accountancy-financial planning firms, which were selling off one component of the business to specialise.

"There used to be a lot of hybrid sales – financial planning and accountancy. Just through compliance alone that's being broken up," Mr O'Malley said.

"A lot of the smaller guys are going this is too hard for us, and selling off financial planning or accounting to go in a single direction."

"The financial planning aspect of it with compliance is a lot harder to run now." He said financial planning firms were switching to combine with mortgage brokers rather than accountants.

Most attractive to buyers were accountancies with SMSF administration components, which could attract higher multiples than tax return or business advisory operations.

That was because each SMSF generated annual administration fees of \$3,000 to \$4,000 including auditing and tax returns.

Radar Results said it worked on behalf of buyers, which ranged from family investors to ASX-listed companies, to find sellers, who were often people looking to retire.

Mr O'Malley said some sellers were merging with other local firms in their region while others were looking for a salaried position as the economic climate lowered the appetite for risk and debt.

Many of the buyers were mid-tier firms doing \$2 million to \$5 million in recurring revenue looking to add a smaller bolt-on firm with up to \$1 million in revenue.