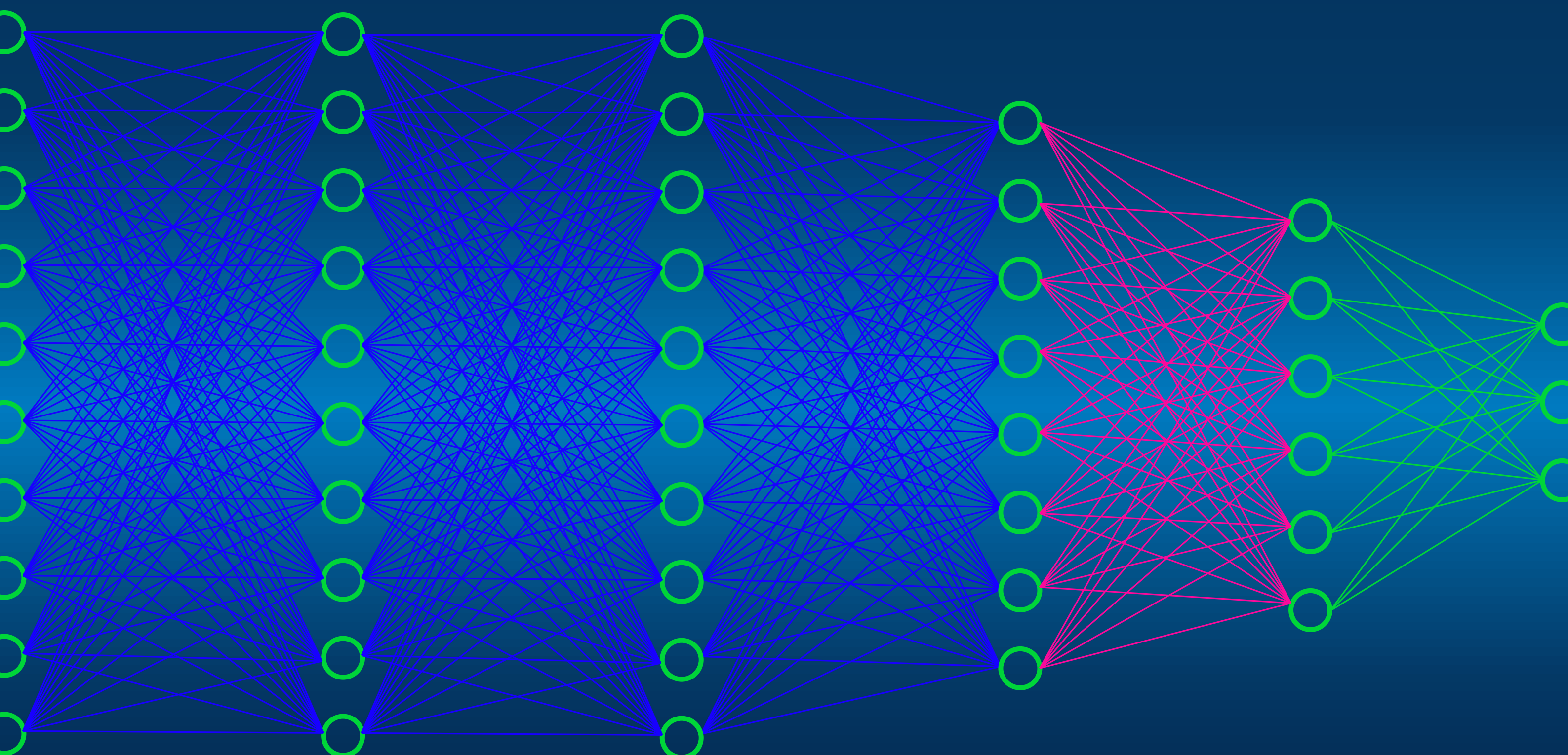
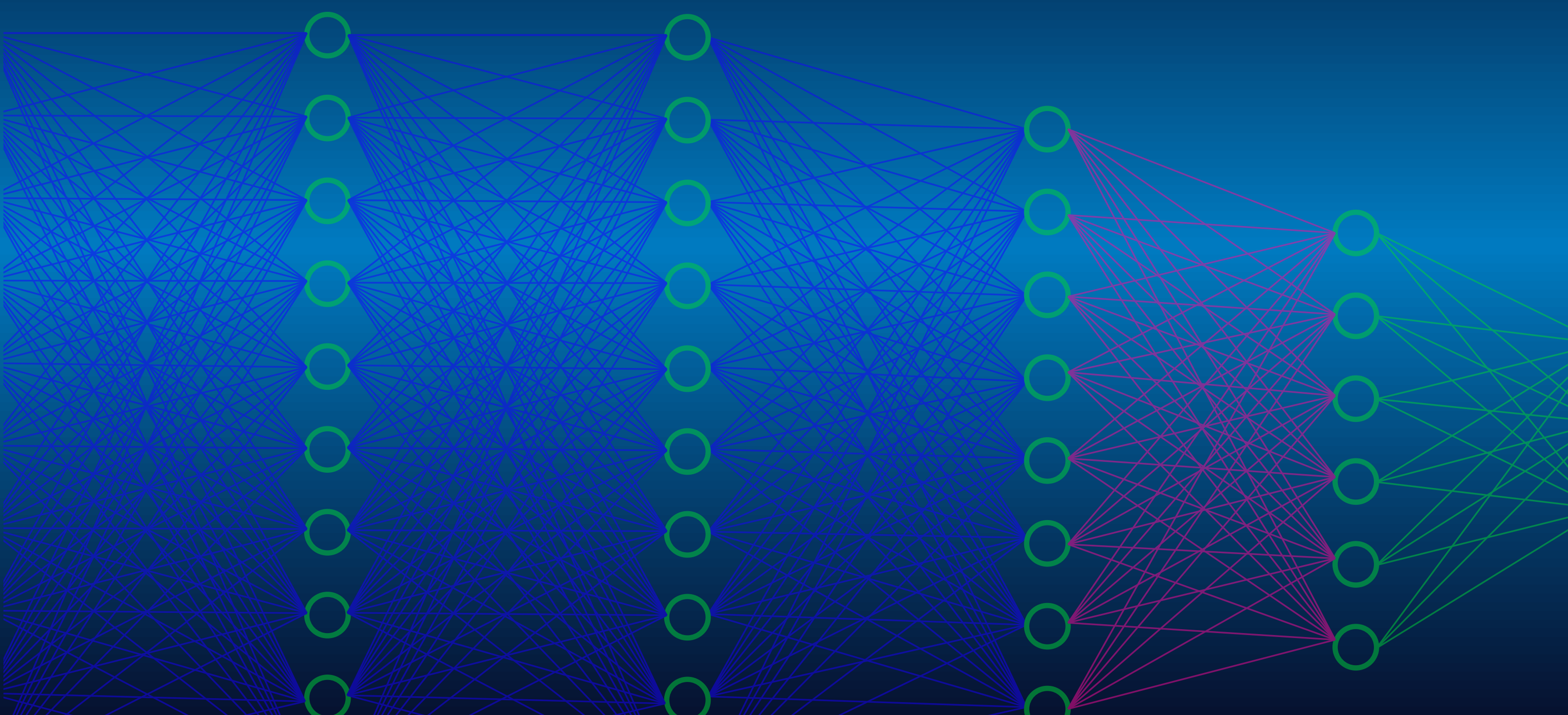
Sage

How PE and tech are reshaping the consolidation of accounting firms

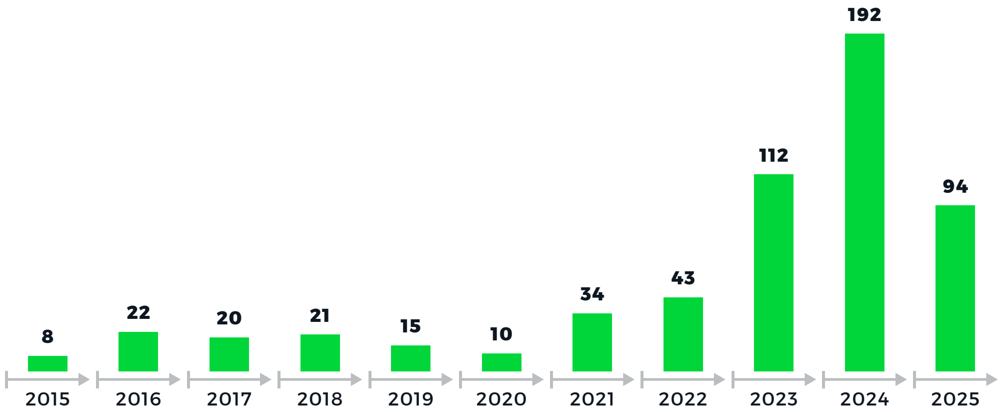


ACTUM GROUP

Once a fragmented sector, accounting is rapidly becoming one of the hottest targets for private equity. The consolidation wave that began in the United States is now sweeping across the UK and Europe, and technology is both the catalyst and the prize, reports Sofia Karadima.



Private equity and technology are rewriting the rules of accounting. Deals are multiplying, valuations are rising, and firms once focused on compliance are reinventing themselves as digital advisers.



PE transactions in the European accountancy sector (2015 – 2025)
(Source: Accountancy Europe)

PE deals in the European accountancy sector, including the UK, have surged from just 8 in 2015 to 192 in 2024, before easing slightly to 94 in 2025, according to Accountancy Europe, a non-profit organisation representing accountants, auditors and advisors. This highlights that the market looks very different from even a few years ago.

The once-dispersed network of small and mid-sized firms is now defined by consolidation, capital and competition. Private equity is driving rapid acquisition across the sector, drawn by the promise of scale; fragmented markets, recurring revenues and the efficiency gains that come with integration.

Yet this isn't just a financial play. Technology now sits at the centre of the opportunity, reshaping business models, redefining value and pushing firms to rethink who they are.

"There's a cold commercial answer to why this is happening," says Aaron Harris, Chief Technology Officer at Sage. "Private equity firms pick industries that are highly fragmented, dominated by private ownership, and that would benefit from scale in terms of their ability to invest. They drive consolidations, and it's a recipe that's worked."

It's the well-worn private equity playbook; aggregation, efficiency and exit. "The best consolidators provide an enhanced proposition for clients and staff, create stability, and strengthen governance. Consolidation also gives entrepreneurial accountants a clear exit route that simply didn't exist until recently," says Jason Harvie, Investment Director at Penta Capital.

Yet, beyond the numbers, there's a value creation story emerging; one of digital capability, talent scarcity, and the redefinition of what an accounting firm can be.

SCALE MEETS SHORTAGE

The accounting sector, like many others, is facing a chronic shortage of skilled professionals. "There's a shortage of trained accountants," Harris notes, pointing to a steady decline in university enrolments and professional exam candidates, particularly in the United States. At the same time, many senior practitioners are nearing retirement, widening the gap between demand and supply.

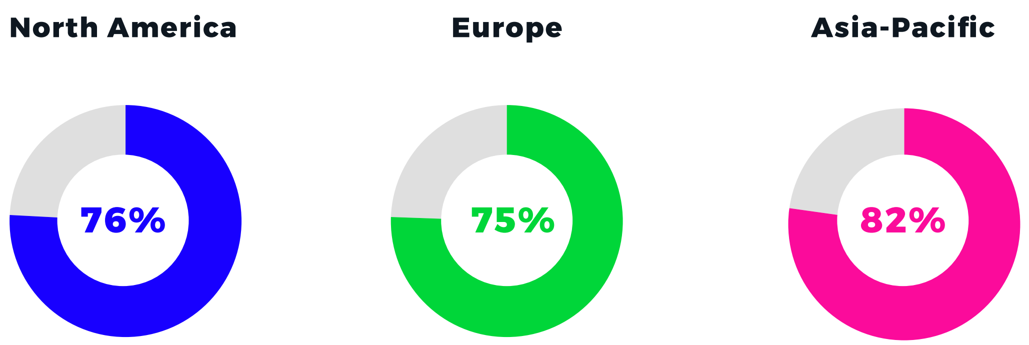
This scarcity is changing how firms think about growth. With fewer accountants entering the market, small and mid-sized businesses are increasingly outsourcing to external providers. Larger firms, many now backed by private equity, are stepping in to meet that demand, using scale and automation to fill the gap left by shrinking talent pools.

Automation has become central to that response. Much of the progress so far has been in core workflows such as accounts payable, receivable and reconciliation, where technology is cutting manual work and reducing errors. In markets like the US, where many payments are still made by cheque, the potential for efficiency gains remains vast.

"When combined with the trusted relationships accountants have with their clients, AI presents a significant productivity opportunity for the sector. This should drive improving margins and allow continued investment in talent and client service. It's an exciting opportunity as automation and AI will become enablers rather than threats" adds Harvie.

Much of the progress to date is happening in core workflows like accounts payable, receivable and reconciliation, where automation is reducing manual effort and error. In markets such as the US, where many payments are still processed by cheque, the potential for efficiency gains is enormous.

In fact, 77% of firms plan to increase their AI investment over the next three years, according to Wolters Kluwer's 2025 Future Ready Accountant Report. The report notes that "firms are embedding AI into daily workflows, unlocking productivity, client value, and strategic insight. Agentic AI is emerging as a game-changer in advisory, planning, and compliance."



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While automation and artificial intelligence dominate industry headlines, the real shift is happening through broader digital transformation. Firms are integrating their systems, connecting to digital banks and payment processors, and adopting initiatives such as Making Tax Digital and e-invoicing, which are accelerating automation across the UK and Europe. These developments are not just improving back-office functions but reshaping how accountants interact with their clients and deliver insights in real time.

Accounting firms are steadily moving away from their traditional focus on compliance work such as bookkeeping, tax returns and financial statements. Increasingly, they are using technology to deliver higher-value advisory services that help clients plan, forecast and make better business decisions. This shift from compliance to consultancy is transforming how firms operate, and why private equity sees so much potential in the sector. Larger, tech-enabled practices can achieve greater margins while maintaining efficiency across their core processes.

ACCOUNTING FIRMS BECOME TECH BUYERS

The most significant change emerging from this consolidation wave is that accounting firms are becoming buyers of technology companies. "We see cases where some of the larger firms are buying technology organisations," says Harris. "They're buying AI shops. It's reasonable to expect that in this consolidation, it won't just be roll-ups of accounting firms. They will also buy technology organisations that they see as strategic to the platform they want to build."

Rather than relying on third-party providers, firms are acquiring software developers and digital specialists to secure control over their platforms and products. The approach allows them to tailor systems to their own needs, embed innovation into client delivery and develop intellectual property that differentiates them in a competitive market.

"We're seeing more accountancy-led deals for workflow, data and client-portal tools than the other way round. This is because you can plug software into the practice stack, lift capacity and margins, and make the client journey smoother. TC's model is to centralise tools, investment (eg. AI), business development and recruitment, but maintain local client autonomy where trust really matters. Baker Tilly Netherlands secured minority investment to back digitalisation and local consolidation – without detriment to its partnership model," says Andrew Mainwaring, Partner at Inflexion.

Kishan Chotai, partner at August Equity, adds that there have been some examples of accountancy firms acquiring tech consultancies as cross-sell services to clients (eg Cooper Parry with CloudOrca). "Typically, the main drivers behind such acquisitions are accounting firms seeking to enhance their service offerings and accelerate digital transformation. By acquiring a technology company, the firm can offer new services, such as cloud solutions, automation tools, or cybersecurity services, to existing clients, which will enhance client relationships and increase revenues."

Technology spending across the profession is rising sharply. In just five years, firms' investment in technology has grown from under 4% of revenue to more than 5%, outpacing overall business growth. Many firms are now recruiting engineers, data scientists and product developers, signalling a transformation in what an accounting organisation looks like.

At the same time, venture-backed start-ups building tools for accountants are finding their future intertwined with these larger firms. "There's a lot of start-ups building technology for accounting firms. Many of them will be acquired by the firms that adopt their solutions," Harris points out.

SCALE, SYNERGY AND THE LONG GAME

Even as consolidation gathers pace, the process of bringing firms together is complex. Aligning cultures, governance structures and partner expectations takes time, especially when newly merged firms retain their own brands and leadership teams. Regulatory restrictions, particularly around audit independence, also limit how far integration can go, while the leveraged structures typical of private-equity deals can create financial pressure.

Integration and maintaining culture are among the biggest challenges, according to Mainwaring. "As platforms seek out better systems, increased offering and wider geographic reach, they risk eroding the culture that made them successful in the first place. While accountancy is a numbers business first and foremost, choosing a firm comes down to trust and relationships, and losing those risks losing revenues."

Despite these challenges, the direction of travel is clear. Consolidation gives firms the scale and resources to invest in technology, while technology strengthens the case for further consolidation. The two forces are feeding each other, creating a self-reinforcing cycle where scale drives innovation and innovation, in turn, accelerates scale.

Looking ahead, Chotai says that it will be interesting to see how the market evolves as firms get larger and consolidators look at merging with each other or some of the larger firms 'consolidating the consolidators', something which has happened in other sectors such as Insurance Broking and Fund Administration. "We're quite some way off that happening here in the UK but it's certainly something we are already thinking about."

Private equity's involvement is pushing the profession to evolve faster than ever before. Accounting firms are no longer defined solely by their compliance services but by their ability to combine insight, automation and data to create value. What began as a wave of mergers is now reshaping the very identity of the sector, transforming accounting into a technology-led industry built for the next generation of business.

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