

Expanded services the path to growth

AFR Top 100 Accounting Firms

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Accounting firms that have expanded beyond traditional auditing and taxation work into higher-margin consulting are the big winners in a year in which the 100 largest outfits grew revenue by a healthy 9 per cent to \$12 billion.

The Australian Financial Review Top 100 Accounting Firms for 2019 shows that more than half of the surveyed firms nominated business, tax and risk advisory as the fastest growing parts of their business.

Overall, advisory now accounts for about 29 per cent of revenue at the top firms, while audit accounts for an average of just 10 per cent of income. These figures exclude the big four, which did not provide a breakdown of income.

The list was produced by the *Financial Review* in partnership with Chartered Accountants ANZ.

The shift demonstrates that accountants increasingly look to become a one-stop shop for clients, said Magnus Yoshikawa, the director of Jadeja Partners and a specialist in accounting merger and acquisitions.

"The Top 100 now represents firms that have adopted completely different models offering multiple services with advisory/consultancy taking shape," Mr Yoshikawa said.

"Pure accounting is becoming more of a rarity. Pure accountants do still stand proud, but you can't help feel that a large amount of firms are now moving into the banking/big four accounting firm model of multiple services to ensure a stickier relationship.

"The future accountant seems to be heading towards a respected GP status, one's own 'Financial GP', that then refers the clients to an in-house or external professional."

The big four firms earned a collective \$8.6 billion, with overall growth easing slightly to 10 per cent from 11 per cent last year. This collective result disguised a big gap in performance between the firms.

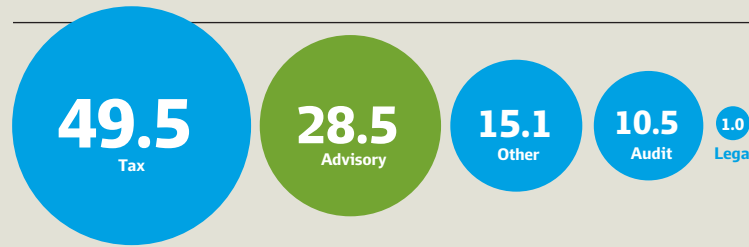
PwC, which once again topped the list, posted strong results across its divisions with revenue growing by 11 per cent to \$2.6 billion.

Top trends

Fastest growing divisions within the firms (Top 5 responses)*

1	Advisory services	55
2	SMSF and superannuation	8
3	Assurance services	5
4	Cyber security	3
5	HR consulting	3

Breakdown of firm revenue FY19** (%)



Fastest growing firms by revenue growth, FY19

Rank	Firm	Revenue (\$m)	Change (% YoY)
1	Mazars	51.39	+116
2	Rubik3	22.00	+98
3	Synergy Group	55.46	+33
4	Carbon Group	8.43	+32
5	MVA Bennett	6.50	+30
6	Causbrook & Associates	3.54	+29
7	ASF Audits	5.17	+28
8	McGrathNicol	88.00	+26
9	Mackay Goodwin	6.55	+22
10	Highview Accounting & Fin	8.47	+20

*Respondents that saw growth in this division, firms could only select one division ** Avg excluding big four Based on data supplied by participating firms; revenue includes chargebacks. SOURCE: FINANCIAL REVIEW

Deloitte, which came in second on the list with revenue of \$2.3 billion, grew at a strong 14 per cent, thanks to a surging consulting division.

The firm's executive leadership last week decided to shutter the more modestly growing Deloitte Private division in order to allow a greater focus on higher-margin consulting work. The firm's consulting division grew by about 20 per cent last financial year and accounts for about \$1 billion, or roughly 40 per cent of total revenue.

EY, the former Ernst & Young, was the slowest growing of the big four, posting FY19 income up 6 per cent to \$1.9 billion. Last week, the firm announced the new head of its consult-

ing division, an area that grew at only 2 per cent last financial year.

KPMG, fourth on the list, grew by 9 per cent to \$1.8 billion, thanks to strong demand for its risk advisory specialists.

Performance was mixed at the nine mid-tier firms, with revenue between \$100 million and \$375 million. These firms posted a collective revenue of \$1.85 billion, up 4.8 per cent for the year.

BDO, once again the standout performer, posted an impressive growth rate of 12 per cent for total revenue just shy of \$300 million. It won clients away from the big four and recruited effectively, said Tony Schiffmann, its chief executive partner.

"Many of the people we talk to are



Jadeja Partners' Magnus Yoshikawa: "A large amount of firms are now moving into the model of multiple services."



Sam McNeill of Advisory Success says mid-tier firms are feeling the squeeze from both ends.



BDO partner Tony Schiffmann: "Our investment in talent is making BDO a more attractive employer."

ing to become a single national firm.

William Buck and Bentleys Network were the next fastest growing mid-tier firms, with revenue at both firms up 8 per cent. William Buck attributed that growth to demand for the firm's outsourced chief financial officer service, while Bentleys pointed to its ability to provide specialised advice to regional clients coping with the drought.

Revenue at Findex and HLB Mann Judd increased by just 1 per cent in the year, to \$368 million and \$103 million respectively. Income was down by 1 per cent at PKF to \$116 million.

The mid-tier had the slowest growth rate of any grouping in the Top 100, partly due to the squeeze it was feeling from both ends of the market, said Sam McNeill, a consultant who helps accounting firms transition into multidisciplinary firms.

"[Mid-tier firms face] pressure from the big four reaching down and smaller firms reaching up. These firms need to be rock solid in driving compliance efficiencies and in business advisory methodology and execution," he said.

The rush by accounting firms to learn consulting skills has kept Mr McNeill and the firm he co-founded, Advisory Success, busy. It engaged with 13 Top 100 accounting firms during the first half of 2019.

Revenue growth at the 24 firms earning between \$20 million and \$100 million was up 10 per cent to a collective \$1.15 billion. This segment was the strongest performing in the Top 100 and featured stellar results from Mazars (income up 116 per cent to \$51 million), Rubik3 (up 98 per cent to \$22 million) and Synergy Group (up 33 per cent to \$55 million).

The market for independent advice was still strong, with insolvency firm McGrathNicol posting growth of 26 per cent to \$88 million in revenue.

Successful practices have a mix of income streams and often provide multiple services to each client, said Grant Bloxham, the CEO of Bstar, a company that offers tools and research to help accountants grow their practice.

"Typically, accounting practices that had achieved benchmark profitability had diversified their revenue mix; offered and secured multiple services per client; and managed productivity, efficiency and labour benchmarks for core accounting, compliance and tax services," Mr Bloxham said.

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