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## INDUSTRY NEWS

# AI Has Venture Investors Excited About (Yes) Accounting Firms

VCs are starting to buy stakes in accounting firms with the intent of turbocharging them with AI. And they are sizing up other staid corners of the services world as well.

*By Yuliya Chernova and Mark Maurer*

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The Dallas offices of accounting firm Carr, Riggs & Ingram, which has received backing from private-equity firm Centerbridge Partners and Bessemer Venture Partners. PHOTO: CARR, RIGGS & INGRAM

Venture capitalists are known for betting on risky, moonshot technology. But recently, some of them are heading to a quiet hamlet of the business world: accounting firms.

Bessemer Venture Partners, General Catalyst, Thrive Capital are among the venture outfits taking stakes in accounting firms on the heels of a [series of deals](#)

led by private equity.

These venture investors believe generative AI technology **can make traditional services** businesses—especially those heavy on knowledge work, like accounting—more profitable and scalable, so much so, that they become desirable targets for the sky-streaking growth ambitions of venture capitalists.

“We do think there’s a huge opportunity to roll up accounting firms and automate a lot of the workflow and let the same accounting firms take twice as many clients,” said Marc Bhargava, a managing director at General Catalyst who leads the firm’s Creation strategy, which includes venture buyouts and incubations. “The idea is not to cut people with AI, the idea is to enable them to do two to three times the work,” he said.

GC’s approach is to invest in an AI business and then provide more capital for the startup to buy up companies that would normally be its customers, said Bhargava.



Cosmin Nicolaescu, shown here in a 2019 picture, is working with General Catalyst on buying up accounting firms and injecting them with AI. PHOTO: DAVID PAUL MORRIS/BLOOMBERG NEWS

GC is supporting Cosmin Nicolaescu, former chief technology officer of fintech startup Brex, who is leading a business that would buy accounting firms and suffuse their operations with AI, according to people familiar with the situation. Accrual, the business helmed by Nicolaescu, has raised more than \$16 million in equity, according to a November regulatory filing.

Nicolaescu didn’t respond to a request for comment.

The moves into accounting are part of GC’s broader strategy to finance acquisitions of services businesses across several industries, among them legal, insurance, and customer support, Bhargava said. Coming off a fresh fundraising that totaled some \$8 billion, GC has \$1.5 billion dedicated to the Creation strategy.

Last summer, GC representatives contacted Allan Koltin, a mergers-and-acquisitions adviser, to discuss picking up small accounting businesses with the intention of transforming them through AI, Koltin said. Among the questions GC had is whether the accounting space is saturated, given the number of PE firms that have streamed in, he added.

Venture involvement in the accounting sector is just getting off the ground amid a [wave of purchases](#) by private-equity investors. In 2021, midsize accounting firms began selling stakes to private-equity firms to meet growing capital needs for technology and talent. Many private-equity firms see these deals as low-risk, largely recession-proof investments that could net a sizable return, based in part on recurring revenue streams.



Marc Bhargava, a managing director at General Catalyst. PHOTO: KIMBERLY WHITE/GETTY IMAGES

As more private-equity investors make successful exits from accounting firms, venture investors will likely see them as attractive targets as well, said Kevin Georgerian, a partner at law firm Hunton Andrews Kurth who has advised accounting firms on taking outside investment. Earlier this month, New Mountain Capital [agreed to sell](#) New York-based Citrin Cooperman to a Blackstone-led group, the first flip of an audit and consulting firm by private equity.

The Securities and Exchange Commission has [raised concerns](#) about the increasing stakes in accounting firms held by outside investors and whether that could jeopardize the independence of auditors. To address these concerns, accounting firms usually set up separate structures to keep their audit and nonaudit practices at arm's length from each other.

It remains to be seen how well VCs navigate the amount of regulation inherent to accounting and other services.

Last year, Bessemer made minority investments in accounting firms Carr, Riggs & Ingram and Crete Professionals Alliance, in what Bessemer Partner Brian Feinstein said is a new thesis driven by AI.

“Over the next five to 10 years, all this capital that’s being invested in [large language-model] AI platforms and AI applications by the venture capital community will lead to a plethora of really useful products that enable accountants to do their jobs better,” Feinstein said.

“There’s not some magic AI accounting product today that automates the audit function or the tax function or the bookkeeping function,” he said. “But there are dozens of startups ... that are doing exciting things in these areas.”

Based in Enterprise, Ala., CRI is planning to use the funds it raised from private-equity firm Centerbridge Partners and Bessemer in November to use AI to take hours out of work in areas such as tax returns and audits for clients, said Bill Carr, chairman of the firm’s nonaudit business. Bessemer has introduced the firm to startups and new companies to assist in these efforts, he said.

“The venture capital side is laser-focused on processes and how to add AI to accelerate them. Private equity takes a broader approach about how they can drive value into the firm,” Carr said. “It’s a completely different approach.”

CRI—which booked \$502 million in revenue last year—wants to generate \$1.2 billion to \$1.3 billion annually in five years, the typical investment period for a private-equity fund, Carr said.

Centerbridge brought Bessemer into the CRI deal to accelerate its use of AI and to comply with regulatory requirements, said Carr.

In addition to CRI, last May Bessemer bought a minority stake in Crete Professionals, alongside Thrive Capital and private-equity firm ZBS Partners.

“In a base case, we expect this to be a really good private-equity deal,” said Bessemer’s Feinstein, referring to both CRI and Crete. “The tech automation and the AI tailwind is a source of upside that helps us get to a home-run case.”

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