

## BDO Merging in Stone Carlie to Become \$1 Billion Firm

ST. LOUIS (MAY 15, 2015)  
BY MICHAEL COHN

BDO USA said Friday it would add Stone Carlie & Company to its firm, expanding Chicago-based BDO into the St. Louis market and in the process becoming a firm with more than \$1 billion in annual revenue after a string of recent mergers and acquisitions.



Wayne Berson

The deal is set to take effect on June 1 and will add approximately 100 staff members and eight partners to BDO's roster.

Stone Carlie dates back to 1947 and was founded by partners Sidney Stone and Carl Carlie. The firm now provides a range of accounting and consulting services to a diverse client base, with focuses in the construction, manufacturing, distribution, life sciences, technology, nonprofit, real estate, health care and professional services industries. The firm also counts a number of professional athletes in its client base.

Stone Carlie was previously a member of the PrimeGlobal accounting association and will now be joining BDO's international network.



\$1.1 billion on an annualized basis.

The transaction also includes the services currently offered by Stone Carlie Wealth Advisory LLC, a fee-based registered investment advisory firm serving primarily high-net-worth individuals.

Stone Carlie earns between \$13 million and \$14 million in annual revenue. BDO ranked 7th on Accounting Today's 2015 list of the Top 100 Firms, with \$833 million in annual revenue. BDO USA CEO Wayne Berson, who also chairs the BDO International network, estimates the firm's revenues will top the \$1 billion mark with the addition of Stone Carlie and other recent mergers, or

"We are projecting to go over the \$1 billion mark by year-end, June 30, which has been a big one for us," Berson told Accounting Today. "It is definitely something we are excited about."

Berson noted that he has pursued an aggressive expansion program since becoming CEO in November 2012.

"We've added 1,830 people through 12 transactions all over the country," he said. "When you combine this with our organic growth, the total complement of staff has jumped 97 percent."

### Midwest Footprint

One of the main incentives for the deal was to build a presence in the St. Louis market. "We wanted to increase our footprint in the Midwest," Berson explained. "That has been a strategic focus of ours for some time now. Last fall, we added SS&G. That certainly added a number of offices in Ohio. That transaction also added critical mass to our existing Chicago practice through the addition of another three offices. St. Louis is a major Midwest market where we lacked a presence, and we feel that Stone Carlie allows us to enter the market with an established presence. Certainly this is a practice that has deep roots in the community."



Jeffrey Ward

Jeffrey Ward, who has more than 25 years of professional experience and was named managing member of Stone Carlie in 2009, will become assurance managing partner for the St. Louis practice of BDO USA. Richard Kraner, who has more than 30 years of experience in public accounting, will serve as the tax managing partner for the St. Louis practice.

Ward told Accounting Today that the two firms are using the tagline, "Opportunities ahead of us, services behind us."

"For BDO, getting into St. Louis and leveraging our relationships and our clients and staff is the draw," he said. "For us, we've been in St. Louis for over 65 years. Tapping into an existing infrastructure of comprehensive services not only helps our clients and prospects but also gives great additional opportunities for our staff to grow and get even more specialized. It should be great for our careers and

great for our clients as well. We've been trying to add services on a one-off basis, and it takes a lot of time and energy. When they work, it's great. When they don't, it's even more difficult. Instead of building it, we wanted to find a good culture fit to accomplish more than what we could do on our own."

Stone Carlie will become BDO's 60th office in the U.S. The two firms have held discussions over the years about Stone Carlie joining the BDO network, but those talks heated up recently when Stone Carlie looked around for a merger candidate.

"We've run into them from time to time," said Ward. "Through our process we were looking for a firm that wanted to get into the St. Louis marketplace and wasn't there already and would be a good culture fit. We also retained the services of Allan Koltin to help us even before we knew we wanted to consider a transaction. Allan was key on helping us with the culture fit, which was critical to us. For this to work, it had to be good not only for our clients but for our people as well."

#### **Baseball and Hockey Fans**

Allan D. Koltin, CEO of Koltin Consulting Group, advised both firms on the deal. "Stone Carlie was the perfect firm for BDO to enter the St. Louis market with," he said. "They had a great reputation, a lot of talented partners and associates, and a specialty in serving the middle market and high net worth individuals. BDO was very selective in whom they wanted to partner with in St. Louis, and it was love at first sight for them with Stone Carlie."

Koltin noted that Stone Carlie selected BDO after going through an extensive strategic and succession-planning process. "They literally had a half dozen or so firms that wanted to merge with them," he said. "Some were already in the St. Louis market, and others like BDO wanted to enter the St. Louis market. Stone Carlie was known in the profession nationally for its innovation, great leadership and entrepreneurial approach to serving its clients. The combination of BDO's national resources and Stone Carlie's exceptional talent will produce a fierce competitor in the greater St. Louis market, and ultimately the entire state of Missouri. The St. Louis and Chicago-based firms only had two significant disagreements throughout the negotiations, and it involved who had the best baseball and hockey teams!"

Stone Carlie offers audit services but has not been doing audits of public companies' financial statement filings with the Securities and Exchange Commission. However, it has a number of employees who have done that work at other large firms.

"BDO does quite a bit in their SEC practice with public companies," said Ward. "We don't do any of that work, but we have people who have come from Big Four firms with that experience, so they're very excited to get back into that mode."

The staff has been generally upbeat about the combination since hearing about the deal. "It's an important culture fit for our employees and is giving them expanded growth opportunities and service offerings for clients," said Ward.

#### **BDO Expansion Strategy**

Berson explained that BDO's expansion strategy is built around three priorities. "We want to get more critical mass in existing major markets," he said. "We want to expand our geographic coverage in new strategic markets, and we want to have additional resources in existing industries or service strengths. In Stone Carlie we believe we have added a well-respected firm with established professional resources in a new strategic market. Their client base aligns very well with BDO industries, and they also bring a wealth advisory practice that BDO doesn't currently offer."

BDO's expansion program has come through both mergers and organic growth. "In terms of organic growth we certainly are going to continue to build on our traditional strengths in assurance and tax," said Berson,

In 2013 and 2014, BDO led other audit firms in terms of SEC client growth (see [BDO Sweeps 2014 Audit Clients](#)) "We had a net gain of 97 publicly traded clients," said Berson. "The best part is that of the 97, 40 percent came through the expansions, but 60 percent were organic."

Berson plans to continue pursuing BDO's expansion strategy. "While one never wants to get bigger for big's sake, you want to get bigger in a strategic manner," he said. "As we've grown, we've been able to spread out a lot of our infrastructure costs as well over a larger base, and that's playing out very well. We are also going through an expansion with a number of these firms. They are bringing in tremendous talent from the outside into BDO. That is always something we are looking for."

Why are so many firms coming to BDO? Berson explained that his firm can provide the national coverage that many regional and local firms want. In addition, he believes the BDO International network that he chairs offers a superior global reach compared to other firms outside the Big Four. He also thinks BDO's SEC audit practice is a powerful incentive.

"Especially with the IPO market taking off, many of these firms want to be able to provide more public company SEC services," he said.

Other firms also see the example BDO has set with its previous mergers. "Probably the biggest factor has been the successful integration of the other 11 firms we've brought in over the last three years," said Berson. "Regardless of the impetus, the reason why they choose BDO over the other firms is probably our inclusive culture. We have a history of efficient integration of various firms. Frankly my background as a partner from a merged firm who has now risen to CEO has been a very powerful selling point for BDO."

Berson originated at Lang Group, an approximately 160-person firm based in Bethesda, Md. "I came into BDO in 2001, and barely 12 years later they'd elected me as the CEO," he said. "If you're looking at a large firm from the outside, you can see that BDO has a history of efficient integration of various firms, and they're also very inclusive at bringing other people into leadership roles. That makes the firm coming in a lot more comfortable."

In looking to attract more firms to BDO, Berson sees further opportunities beyond Stone Carlie. He expects to announce more deals in the not too distant future.

"When you combine this with our other additions, we've expanded into 16 new cities and added to the critical mass in 10 existing markets over the past three years," he said. "We are continuing to have discussions with numerous firms around the country. As you can imagine, there's a lot of interest in joining BDO. It's great to be in a position where as many firms as we contact, that same amount contact us."

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