

BDO USA Merges in CEA

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BY MICHAEL COHN

BDO USA LLP has expanded the firm's San Diego-area practice by adding CEA LLP in Carlsbad, Calif.



Wayne Berson

The combination will add 31 professionals and staff members, including seven partners, bringing BDO's total staff number in San Diego to 90. The deal is expected to close on Dec. 1, 2015.

BDO has expanded into 20 new cities and added to 11 existing markets over the past three years, according to BDO USA CEO Wayne Berson. The firm ranked seventh on Accounting Today's 2015 list of the Top 100 Firms and recently reached \$1.05 billion in annual revenue. For its part, CEA is on pace to reach \$7.6 million in annual revenue.

"For the past few years, we've been going through a period of rapid expansion," Berson told Accounting Today on Friday. "San Diego was an existing market where we wanted to increase our critical mass. Then, given CEA's history of success in North County and our strong history in La Jolla, they were our preferred target for expanding the greater San Diego market. For us it just seemed like a really good market to expand into."

Berson pointed out that CEA has many connections to the local community. "As a result of that, with the connections they have in the community, we feel that expanding will be a 1 plus 1 equals 3. The firm has a very entrepreneurial culture which we see as a natural fit for BDO. Their deep-rooted presence expands our

footprint in the greater San Diego market."

He noted that CEA's client base also ties in well with BDO's focus on various industries, including manufacturing, distribution, private equity and biotech. "They're all industries that we are pushing inside BDO," Berson observed.

CEA also has a number of restaurant industry clients, which fits in with an earlier M&A deal in which SS&G joined BDO last November.

BDO plans to maintain both its existing San Diego office in La Jolla and the previous CEA office in Carlsbad. Lee Duran, assurance managing partner for BDO's existing San Diego office, will maintain that role in the combined San Diego practice, while Mark Stepka, a tax partner at CEA, will serve as the tax managing partner. They each bring more than 30 years of experience to their expanded roles as managing partners for the combined Greater San Diego practice.



Thomas Applegate

CEA founding partner Thomas Applegate said his firm has been approached by many others over the years about a merger, but the combination never seemed right.

"We always listen," he said. "We're very polite, but nothing really caught our interest to stay at the table long enough. But this past year, we decided to take another look around, and in that process we talked to a number of firms. BDO was one of them and from the first meeting, they really stood out. They have a great reputation in the San Diego marketplace, and they have a great reputation that we're aware of nationally."

He noted that BDO has a similar culture as CEA's, and all the people he has met are ones he would have hired. He also believes the combination will be a great opportunity for his employees.

The process of closing the deal has been a "whirlwind," Applegate acknowledged. "We've been pedaling real hard for the past three or four weeks," he said.

BDO is likely to keep up its fast M&A pace. "BDO continues on its blazing trail of merging in firms," said Allan D. Koltin, CEO of Koltin Consulting Group, who advised both firms on the merger. "This one will be very helpful to BDO in expanding their existing presence in the San Diego market. CEA began the exploration of looking at an upstream merger last March and talked to a combination of firms both in the greater San Diego market as well as those looking



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to enter the market. Even though CEA was a local firm, they were very successful in attracting larger clients and complex projects and felt that being part of a larger platform would provide expanded depth of services to their clients. They also have a talented group of younger partners and staff and saw this as a more effective way to grow the firm going forward."

Berson believes the combination is a win for both firms. "It's an opportunity for CEA to tell its client base it now has more arrows in its quiver and can now provide more services to its existing clients," he said. "Their clients don't have to look further for additional services, and our clients get a win because we're now an even larger practice in the market, so it's a win-win situation."

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