

WHITEPAPER REPORT:

GROWTH AGENDA 2022: THE NEW ERA OF LAW FIRM M&A



FOREWORD

JEFF ZINDANI, MANAGING DIRECTOR



WELCOME TO THE FIRST ACQUIRA PROFESSIONAL SERVICES WHITEPAPER. THIS IS A CRUCIAL TIME FOR MANY LAW FIRMS ACROSS THE COUNTRY AS THEY DEVELOP THEIR POST-PANDEMIC STRATEGIES AND THE RESEARCH WE HAVE UNDERTAKEN SHOWS THAT MERGER AND ACQUISITION (M&A) ACTIVITY WILL FORM A SIGNIFICANT PART OF THEIR THINKING.

This confirms our anecdotal experience as an M&A broker and we find ourselves talking to firms of all sizes at the moment, with nothing and nobody off the table. Although it's worth saying that it's a case of acquire or be acquired – we haven't seen a genuine merger of equals in the last year or more.

As we explore below, this is an eminently sensible move – growth by acquisition has a lot of benefits. It has its risks too, of course, and it remains a source of amazement to me how little due diligence some M&A involves, particularly around identifying suitable firms. This reflects how little experience most lawyers have of doing it – would they advise a client the same way?

Our research shows the market is extremely active – 47 of the 100 law firms we spoke to say they are considering M&A, nearly a quarter of whom (23%) are already in talks about a possible deal, while a further 57% are “actively” seeking one.

There is also a surprising level of interest in private equity investment – surprising because it may not be realistic.

Aside from our research, we are aware of a continuous need to hire top legal professionals in these firms to support their growth. In many cases, there is increased demand for technical skills as opposed to those who secure additional clients. Here, it seems that the pace of growth has overtaken the capability to fully support new business.

This whitepaper should give law firm leaders a lot to think about as they consider how to achieve growth within the context of their strategic goals and we at Acqira Professional Services stand ready to discuss and support you as best we can.

A handwritten signature in red ink that reads "J Zindani". The signature is stylized and fluid, with the first name "J" and last name "Zindani" clearly visible.



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INTRODUCTION

A LAW FIRM WITHOUT A GROWTH STRATEGY IS LIKE ANY BUSINESS THAT FAILS TO PLAN FOR THE FUTURE. IT MAY CONTINUE TO THRIVE IN THE SHORT TERM BUT IN THE LONG TERM IT IS UNLIKELY TO SUCCEED AS STAGNATION AND DECLINE START TO SET IN.

In our conversations with managing partners across the country, there is a clear message: growth in itself produces a kind of momentum that lights up a firm. Without it, key talent will not be attracted to join and key players may well leave.

For most firms, the focus has largely been on organic growth, with traditional marketing levers being pulled when required. The fundamental weaknesses are all too obvious: marketing is expensive and in practice a slow-burn approach.

Simply spending more cash on marketing will not do the trick. Peter Drucker, the great management guru, was right when he said: "The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday's logic." Sticking with the old ways will not give you the growth that you need.

AN EMERGING TREND

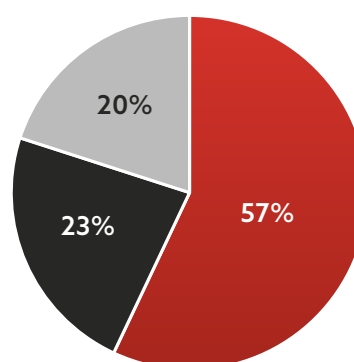
The number of law firms operating in England and Wales is on the decline, albeit slowly, and M&A is an increasingly significant part of the picture.

The law firm population has been relatively steady for a long time now. There were 9,770 private practice firms at the start of the millennium and the number went up and up, peaking in mid-2011 at 11,369. Since then, according to Solicitors Regulation Authority (SRA) figures, it has been dropping and in April this year dipped below 10,000 again. The most recent figure, for October 2021, puts it at 9,860.

While the past two decades have seen significant shifts in the demographics of individual solicitors – with women now making up the majority (it was 36% in 2000) and far more practitioners from ethnic minority backgrounds – there has been little change in the demographics of firms: the most recent Law Society analysis showed that 87% of firms still have up to four partners.

There are, of course, plenty of reasons why law firms cease practising. In the year to July 2021, the SRA says, 575 firms closed, the majority for good, but for 110 (19%) of them, it was due to merger.

There is always a closure peak in the autumn, when most firms still renew their professional indemnity



M&A Strategies

- Actively seeking an acquisition or merger
- In talks over an acquisition or merger
- Considering whether to look for an acquisition or merger

insurance, and it was significant last year that SRA chief executive Paul Philip noted “a slight upwards trend” in M&A.

“We expect merger activity to continue to be a key trend over the medium term as firms respond to the new economic environment,” he said. As a result, the SRA has established a working group with the Law Society “to consider whether there is any further support that we can provide to help mergers and acquisitions and orderly firm closures”.

THE KEY DRIVERS

All the signs are that this is an increasing trend, not least with the end of furlough and firms having to start paying back Covid loans.

From one end there is the growth of the consolidator seeking to benefit from economies of scale – we count around a dozen currently operating in the legal market, including the likes of listed law firm Knights, consolidation vehicle Metamorph Law and new player Fisher Jones Greenwood, an Essex law firm bought by private equity firm Blixt Group in August to build a £100m practice in the next five years.

Another is Taylor Rose MW, although chief executive Adrian Jaggard explains that its motivation is unique: unusually, the firm has grown a fee-share consultancy business alongside its traditional ‘bricks and mortar’ practice and such is the huge growth in the former that he needs to keep growing the latter, and quickly, so that Taylor Rose MW does not become a ‘virtual’ firm by default.

From the other end are the pressures in many areas of practice to build scale – sometimes to gain access to corporate legal panels – and obtain greater resources to invest, particularly in technology. This is perhaps most evident in low-value personal injury work, especially in light of this year’s whiplash reforms. It was therefore no surprise to see Irwin Mitchell’s decision to exit low-value road traffic claims and move the whole department to Minster Law, which has invested heavily

in automating whiplash claims as much as possible.

With the government announcing in September that it will extend fixed costs to a wide range of cases valued up to £100,000, there is likely to be a lot more restructuring in the litigation market generally.

Conveyancing – which has long been an extraordinarily fragmented market – is arguably a hybrid of these two. According to property data business Search Acumen, Land Registry figures show there were 4,800 ‘active’ conveyancing law firms in 2011, but this dropped below the 4,000 mark for the first time in 2019. Having hit a low of 2,411 in the first lockdown, the number has steadily returned to a little under 4,000.

The top 200 conveyancing firms have consistently grown their market share over the same period, from 32% to around 40%, and at the top of the market we have seen some big acquisitions by the Simplify Group and O’Neill Patient. At the same time, it is widely acknowledged that, had it not been for the smaller firms that do some conveyancing as part of wider practices, the market would not have been able to cope with the huge surge of work this year caused by the stamp duty holidays coming to an end.

For smaller firms in particular, succession remains a real headache, not least given the cost of run-off insurance if they end up having to close when the owners decide to retire.

John Durkan, managing director of fast-growing Yorkshire law firm Switalskis, says growth by acquisition is a key element of its plan – even though it has no particularly target, he expects that in five years the firm will have doubled turnover to £50m.

“If you’ve got a successful business, there’s pressure to grow, even organically. For example, a department that’s performing well needs more staff. It’s actually very hard to prevent growth – it just happens naturally.”

Mr Durkan says he has never seen so many firms looking to acquire, be acquired or merge as there are at the moment.

Why is this? "Latterly it's been Covid. Whatever value partners felt they had in their businesses, something like Covid can take away overnight. It has concentrated minds."

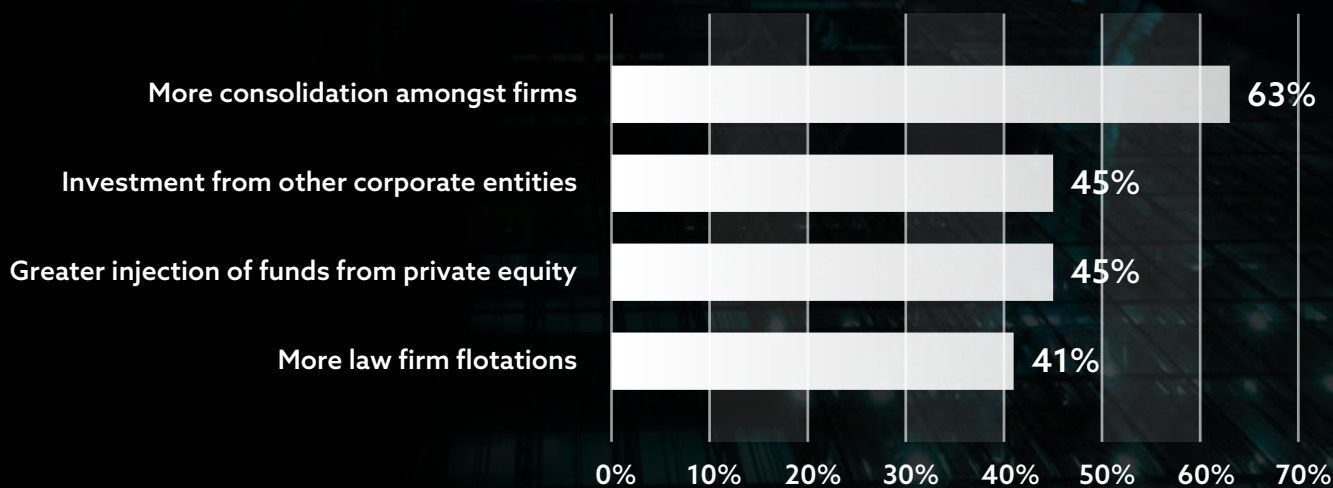
Other drivers include the personal injury reforms and the wider issue of an ageing profession. "You can only go on for so long," Mr Durkan says "There are quite a lot of 'ghost' firms out there that are not attractive acquisition targets as they are not making profits but only surviving because they took out government-backed loans to prop up a failing firm. Once the loan repayments kick in, they can't afford to make the repayments, so I expect there will be more law firm failures over the coming year as a consequence."

What's been particularly interesting in the last decade, since the advent of alternative business structures, has been the variety of non-traditional ways that law firms have obtained money, from stock market floats and private equity investment to joining forces with other professional firms, bringing in single investors and being bought by larger non-legal entities, with several variations on the theme in between.

Adrian Jaggard notes: "The benefit of M&A is that you usually bring the client and lawyer together – if you grow organically, you get one or the other and then have to match them up."

M&A is, of course, what Acquire is all about and so we commissioned IRN Research to undertake empirical research into what firms are thinking about as they consider their strategic responses to all that is happening in the market and the role M&A may play.

Likely trends in the legal services sector in next 12 months



WHAT WE FOUND

GROUNDS FOR OPTIMISM...

WE STARTED BY LOOKING AT FIRMS' FINANCIAL POSITION, WHICH OBVIOUSLY IS CENTRAL TO ANY STRATEGY. THE LEGAL PRESS HAS BEEN FULL OF STORIES ABOUT STRONG FINANCIAL RESULTS IN THE LAST YEAR, DESPITE COVID, AND OUR SURVEY BEARS THEM OUT

Both profits and turnover rose for nearly 60% of firms in the last 12 months, while 13% saw profits fall and 9% turnover. Aside from a handful that did not answer, the rest had a steady year of no change, which must be considered a win given the circumstances.

The increases in profits ranged from just 1% to 90%, with the median figure 15%. Similarly, the smallest turnover increase was 1% and the largest 88%. The median was 12%, with smaller firms (a turnover of up to £50m) more likely to have seen increases than the cohort of £50m+ practices.

Most of the firms interviewed are looking forward to the next 12 months too: 70% are expecting to register higher profits (only 11% predicting a fall), while 65% forecast higher turnover (just 8% expect it to go down). The median increase expected for both profits and turnover is 10%.

So the outlook is healthy. That could be a reason for solicitors simply to continue doing what they are doing – if it ain't broke and all that, especially in a post-Covid period of retrenchment.

A report last year from accountants Smith & Williamson suggested that the legal market was in denial about its financial problems, with sunny predictions for the future contrasting with the looming darkness of lock-up, still a huge problem for many, and a general lack of financial discipline.

A recent update was similarly cautious against a background of near-unanimous confidence among law firms about the next year.

"Brexit was the biggest concern in 2019, and the pandemic was front of mind when survey responses were filled out last year," it said. "Have those two key concerns really subsided?"

The turmoil of Brexit was "far from over" and the pandemic was not over either. "The full economic ramifications of lockdown are yet to be understood or realised. The lifeline of furlough has been wound down, and a period of high inflation potentially lies ahead. While many firms will have experienced a bounce-back in revenues as the economy has recovered, the longer-term trend is still for a squeeze on firms' profitability."

Either way, the consensus among our respondents is that we are now in a period of sustained market restructuring: two-thirds told IRN that they expect the legal services sector to consolidate even more in the next 18 months.

Indeed, a significant minority (45%) foresee greater investment from outside the legal sector and 41% believe there will be more law firm flotations. Certainly, there has been nothing in the experience of the various listed firms to date to discourage the right

firms – rather, the multi-million-pound pay-outs to some owners who have sold their shares may act as a significant incentive.

STRATEGIC GOALS

The survey went on to look at the firms’ business strategies and gave interviewees 12 options to consider as drivers of growth in the next 18 months. By some distance, the top option is investment in IT systems and infrastructure, the only one mentioned by more than half of interviewees (64%).

We question the extent to which IT investment is actually a growth driver. Is it really more about keeping up? Among the top firms, it’s looking like an arms race.

Adrian Jaggard uses the same phrase when it comes to IT. Indeed, technology is the one area where scale does not reduce cost. “IT spend has to keep going up,” he says. “You’ve got to not be afraid to step away from the technology that you might have spent a lot of money on five years ago.”

He adds: “What you are chasing is a virtuous circle of growth and investment.” It helps, he acknowledges, not to have a group of partners drawing money out each year: three-quarters of all the profits Taylor Rose MW has ever made have gone back into the firm.

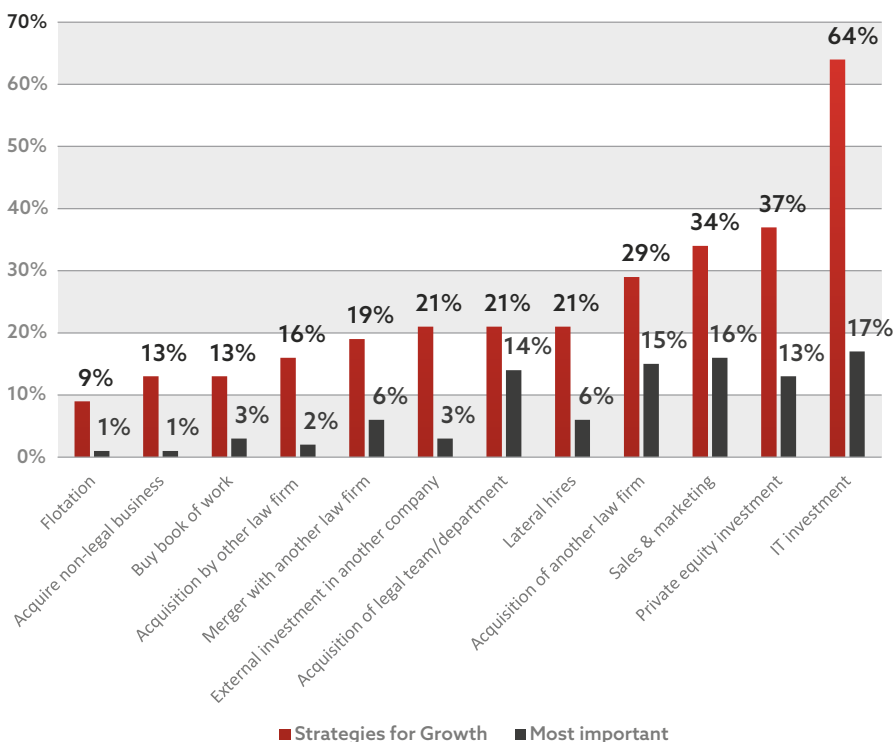
Two other drivers are cited by more than a third of interviewees: private equity investment (37%) and sales & marketing (34%). The latter is a sign of how competitive many realise the market is becoming.

Acquiring another firm to generate growth was an option for 29% of our respondents, while acquiring a team/department and a merger with another firm are both mentioned by 21%.

Flotation was in the minds of 18% of the large firms, 9% of mid-sized and even 4% of small firms. More than a quarter (27%) of large firms are also eyeing up buying a non-legal business.

When interviewees are asked to choose just one key driver, none dominates. IT investment is still top of the list (17%) but close behind are sales and marketing (16%), and a law firm acquisition (15%).

Options selected to drive growth



64%

said that IT systems and infrastructure is the most important factor for growth.

A higher percentage of large firms are investing in IT to deliver growth. IT investment is much lower among small firms.

REALITY CHECK

The findings that surprise us most are those around private equity investment and flotation. Though the listed firms have generally been doing well, and their share prices have bounced back since the market-wide lows of the first lockdown, there are still only a very small number. To join their number, you have to jump many hurdles.

Rosenblatt is evidence that a listing is not beyond a smaller firm but you need a clear strategy and provide strong reasons to invest. It is also a hugely time and money-consuming operation to go public.

There have been more private equity deals over the past decade but the story is a rocky one – while some investors have done well and even managed to exit, others have not, leaving the private equity houses involved nursing heavy losses (think Parabis and Roberts Jackson).

Our experience is that the few private equity firms interested in the legal market are generally looking at practices with non-traditional business models, such as subscription services which generate repeat business. They want to build scale. Any notion that it is an easy way for partners to cash out will send them running for the hills.

John Durkan agrees, suggesting that private equity is not realistic for most firms. The need for size narrows the list to around 150 firms and then investors will be looking at those with features such as a degree of certainty of returns or consistency of performance. Equally listing is only for a small number but nonetheless he expects that there will be a “fair few” listed firms in a few years’ time.

More positively, it is notable that several private equity investors have stayed with their firms for many years

now, longer than the usual three-to-five year cycle the sector is known for. This indicates that private equity isn’t necessarily just looking to inflate value and sell, but also perhaps that law firms are not a way to make a quick buck.

Looking ahead, perhaps we will see greater activity with private equity.

Steve Din of Doorway Capital at a recent conference was certainly very upbeat: “I think we’re going to see a significant amount of US private equity coming over to the UK. They’re going to target the large law firms.”

Mr Din noted that there had been more private equity investment worldwide in 2021 than in any previous year.

“It’s not that law firms are particularly attractive to private equity, but there is a lot of private equity available.”

MERGER MANIA?

In total, 47 of the 100 firms say they are considering M&A, nearly a quarter of whom (23%) are already in talks about a possible deal, while a further 57% are “actively” seeking it. The remaining 20% are at the early stages of the strategy and have not acted on one yet.

Information sources used if thinking of an acquisition/merger

	%
Word of mouth	46%
Desk research	42%
Third party broker	41%
Business network	39%
Recruiter	39%
Media coverage	33%
Other external advisor	23%
Other	2%

At the same time, half of the firms not in talks reckon they are nonetheless likely to undertake an acquisition or merger in the next 12 to 18 months.

The mid-sized and small firms are more likely than the big ones to do a deal, the research shows.

We can't extrapolate these figures across the whole law firm community but as a snapshot they indicate that predictions of greater consolidation are set to come true.

What is it about M&A that appeals? Asked for one reason, geographic expansion comes out top: 22% want to increase their footprint in the UK and a further 9% internationally.

This is certainly a consideration for Taylor Rose MW, says Adrian Jaggard. "It hasn't been so much of an issue for us historically as there was such a big market to go at. But we have grown mainly in the South-East and so geography is part of our selection process now."

Other popular reasons are to diversify into new practice areas and to scale-up and compete, both mentioned by 20%. Motivations identified by a handful include reducing costs, technology investment, diversification into a non-legal sector, and pressure/requests from clients to provide other services.

One brutally honest respondent admits that they need to merge to survive.

It is important as well to understand why the other 53 firms do not see M&A as a route to growth. Put simply by nearly half of them (43%), it's because they don't need it to grow. The other reasons chosen by interviewees are more negative: 36% cite the cost of M&A, 30% the loss of control, 23% that it is "too difficult/ risky" and 21% concerns about a loss of identity.

The latter concerns can all be overcome if the right deal is out there. Fear is not a great business strategy. It perhaps reflects that the history of the legal market is littered with stories of M&A that has failed – where two plus two made three.

MAKING IT WORK

We wanted to explore the factors that create a successful (or unsuccessful) deal. We first asked respondents to sum it up in one sentence. The clear alignment of goals and objectives and having (or not) an M&A plan were most frequently mentioned, along with communication – not only between the firms but also to all, rather than just senior, staff.

They mentioned four other factors which can be either a positive or negative influence: due diligence, transparency and honesty, financial resources and cultural fit.

43% said they don't need M&As to grow

Our interviewees zeroed in too on five specific causes of unsuccessful M&A: poor leadership, employee resistance, competing egos, unrealistic expectations, and a lack of understanding of all compliance and regulatory issues.

After that open-ended question, they were asked to choose a factor from a list of nine that would have the most impact on the success or otherwise of an acquisition or a merger. They do not agree on any one factor but top of the list for a successful deal is a strategic fit (28%), followed by communications (18%), and 16% for both a cultural and operational fit.

Differences in the respective cultures of the law firms involved are seen by the largest percentage of interviewees (30%) as the main factor that would inhibit the success of a deal. Other leading factors, contrasting with the success factors above, are seen as a lack of a strategic fit (22%) and financial fit (21%).

John Durkan stresses how crucial communication is. "It's important never to overpromise," he says. "You have to recognise that the staff didn't choose this so you have to bring them along the path of change and explain what you're looking to do."

Reasons for not considering an acquisition/merger

	Number	%
We can grow without it	23	43%
Cost	19	36%
Loss of control	16	30%
Too difficult/too risky	12	23%
Loss of identity	11	21%
General business/economic uncertainty	10	19%
Partnership resistance	9	17%
Cultural fit would not work	7	13%
Other reason	1	2%

Staff know there will be change, so transparency and honesty are key. "Listen to their concerns. You can't accommodate those who just don't want to change. You also have the enthusiasts. It's the middle group you have to bring along with you – the people who are open to it but have some concerns about being acquired."

There is a significant difference between the approach of Switalskis and Taylor Rose MW. Mr Durkan says he generally wants the leaders of the acquired firm to come across as partners, "so they've got an incentive to do well". But Taylor Rose MW has a corporate structure, meaning everyone is an employee.

Mr Jaggard says it can be "quite a difficult transition" for partners. He explains: "They are moving from a situation where the senior lawyers are involved in everything to one where responsibilities are defined and the lawyers are left to do the law. Some feel uneasy with this. But equally, some like going back to just being a lawyer. This has been a big driver for our consultancy business as well."

SOURCES OF INFORMATION

One of the reasons that mergers go wrong is the informal way they often start – a chance meeting or knowing counterparts in local firms from the golf club. But proximity doesn't necessarily mean affinity.

We asked our interviewees about what sources of information they would use to ascertain a suitable M&A partner.

On average, a law firm would use 2.65 information sources to support its decision making regarding a possible deal, with word of mouth (46%) leading the way, followed by desk research (42%) and third-party

brokers (41%). Also mentioned by significant numbers were business networks, recruiters and media coverage.

It helps to be known among introducers, Adrian Jaggard says. "I have spent a lot of time over the last decade creating a network of people like Jeff Zindani so that, when there is an opportunity that they feel would suit Taylor Rose MW, they pick the phone up to me."

Switalskis benefits from focusing on Yorkshire, explains John Durkan. The market knows the firm is open to approaches and it knows the market. "Because we are spread all over Yorkshire, we generally have a good idea of what firms are about and their culture, and whether they are prepared to accept change at leadership level."

In our experience, too many firms rely on word of mouth in its various forms, including taking what they read in the legal press as fact. Busy fee-earning, most partners simply don't understand the market like those of us who are out and about talking to people all the time. Often we see firms being dismissive of a potential firm because of inaccurate data or simply 'Chinese whispers.'

Clients go to lawyers because they are the experts and they need to achieve a goal. The same principle applies when lawyers want to achieve a growth goal by M&A.

THE DRIVE FOR KEY HIRES

Outside of the research, our experience from talking to decision makers shows that firms are eager to hire to support their growth plans. In effect, this process is part of the organic growth that runs in parallel with plans to grow via M&A.

Interestingly, there appears to be increased demand for professionals who reside on the technical delivery side of things, rather than those who secure new business. The impression is that some firms are growing so fast, they need to focus on supporting existing clients before adding to their total number.

The real gold lies largely in the passive market as senior talented lawyers become disenchanted with the "Big firm" mindset.

THE NEXT STEPS

DESPITE THE ENTHUSIASM FOR PRIVATE EQUITY, THE REALITY IS THAT M&A IS GOING TO BE A FAR MORE REALISTIC GROWTH OPTION FOR MOST. THE DEALS WE HAVE SEEN OVER RECENT YEARS, AT ALL ENDS OF THE MARKET, SHOW THERE REMAINS A CONSIDERABLE APPETITE TO MAKE THINGS HAPPEN.

When we're acting as the matchmaker, we are looking first at the objectives of the firm that is looking to acquire. Then there has to be a partner and cultural fit. The latter in particular is not an exact science. Sometimes it's obvious – you don't pair a progressive IT-focused practice with one where the partners still hand Dictaphone tapes to their secretaries – but often less so.

Indeed, a lot of firms cannot tell you what their culture is, although it largely comes from the management team. Plenty of firms have snappy taglines that supposedly capture their culture but these usually reflect generic ideals of trust and competence to which every law firm aspires. If we have to read another law firm website that promises to marry traditional values with a modern approach, we might have to give up on the internet altogether.

So for firms considering M&A, you need to think carefully about your culture and what you are looking for in a potential partner. There is a difference between having values – sometimes drawn up with the help of an expensive external consultant – and actually living them.

Acqira has developed a relationship with Brands with Values, a consultancy whose main offering is a 'Culture and Inclusion Decoder'. Managing director Adrian Walcott explains that businesses do their financial due diligence on targets, but not cultural due diligence. "A lot of deals fall over because of a culture clash post-merger," he says.

"What we're about is de-risking this so the owners can extract the value they want from the deal."

The decoder – an academically rigorous test already taken by hundreds of thousands of people – is based on the premise that an organisation is "just an ecosystem of people and how they behave", he says. And it is values that drive the way they behave.

It is a "beautifully simple" three-question test that all staff take and "really allows us to understand how the ecosystem is operating". Essentially it asks everyone: what are your personal values, what are the observed values of the organisation, and what kind of values would you like to see.

This allows leaders to see where two combining organisations are aligned and where they are not. "It can be very dangerous to assume that because the leaders all get along and are connected, so is everyone else."

Mr Walcott adds that the decoder is very different from engagement surveys. These "manage satisfaction" and are effectively about marking leaders' homework. "They're not about how you drive staff's discretionary efforts to give you more."

OPPORTUNITIES ABOUND

This should not put them off though, nor should those practical issues highlighted in the survey such as cost,

which is not as much as they might think. Many partners believe M&A is just for the big firms, even when some of the consolidators have been snapping up smaller practices. But this 'big fish eating little fish' approach can work even if you are not a consolidator. It is a quicker route to growth and, if done properly, brings about pound for pound a great return on investment.

A key message though is this: Don't make acquisitions because they are available. Do them because they are right for your practice.

This comes back to the way you approach the process. Word of mouth is hardly scientific and occurs in an opportunistic vacuum where the acquiring firm often has very little market intelligence. Ultimately, you are going to have to spend a lot of time together first to work out that it is a good deal.

The technology most firms now have makes it easier than ever to truly understand their performance, while specialist advisers can also conduct file and department reviews to have a proper look under the bonnet.

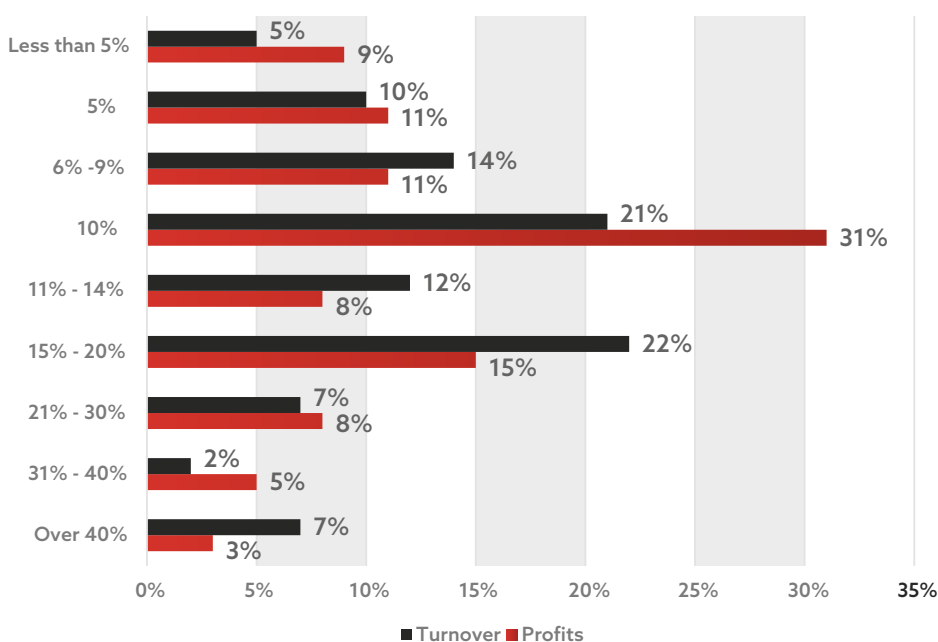
It is not purely out of self-interest that we stress the importance of data and expert advice in this process – a failure to do proper due diligence is fundamentally the reason we see deals go wrong. It is ironic how often good lawyers do not adopt for their own sakes the kind of steps they would advise a client to undertake when contemplating M&A.

There are other basics too: be very clear about whether you want to purchase a firm as a going concern or simply acquire the assets, for example, caseload acquisitions or the purchase of a discrete part of a firm.

The advantage of acquiring assets is that it is less risky as you are not taking on the selling firm's liabilities. Obviously, from a seller's point of view they will want to sell the practice as a going concern. From our experience, it will all depend upon the seller's liabilities. At the high-volume end of the personal injury sector, for example, this is a source of real trouble.

However, like all challenges, there are opportunities, particularly if the seller simply wants to exit and to clear off any historical debt which they cannot unwind.

Increases in profits/turnover in last 12 months - range of increases



57%

said that they are actively seeking an acquisition or merger

WHAT IS A LAW FIRM WORTH?

How do you determine the value of a law firm? What is it worth, given it is a 'people' business?

A straightforward approach is to look at value based upon the cashflow that you expect it to generate from the practice over time. You may use an EBITDA (earnings before interest, taxes, depreciation and amortisation) and multiples of earnings to get to a more precise figure.

Overall, you need to look at the value drivers of the firm. Some will say this is a waste of time as the price is only what a buyer will pay. This is utterly flawed as it has to have a financial basis: let's face it, we are not dealing with the sale of a Picasso.

However, demand may well drive-up multiples, so we have to factor market behaviour into any valuation. This will turn on specific market factors. For example, there is currently a real premium for niche-based practices or firms that have a subscription-based model and a high demand for personal injury and clinical negligence caseloads, with buyers paying more than they did pre-Covid.

Also beware of those who claim to know the price of a law firm: as Oscar Wilde once said, a cynic is someone

"who knows the price of everything and the value of nothing".

Remember, law firm valuations, like all business valuations are usually wrong!

Be aware also of the 'Ikea effect': certain law firm owners who believe that, as they have built the firm, it's worth more than it is actually worth in the marketplace.

A MODERN GROWTH STRATEGY

There are a lot of good reasons to consider M&A. You can boost fee income and access larger financing pools for expansion, compete with the bigger boys and girls, and increase the overall value of your business.

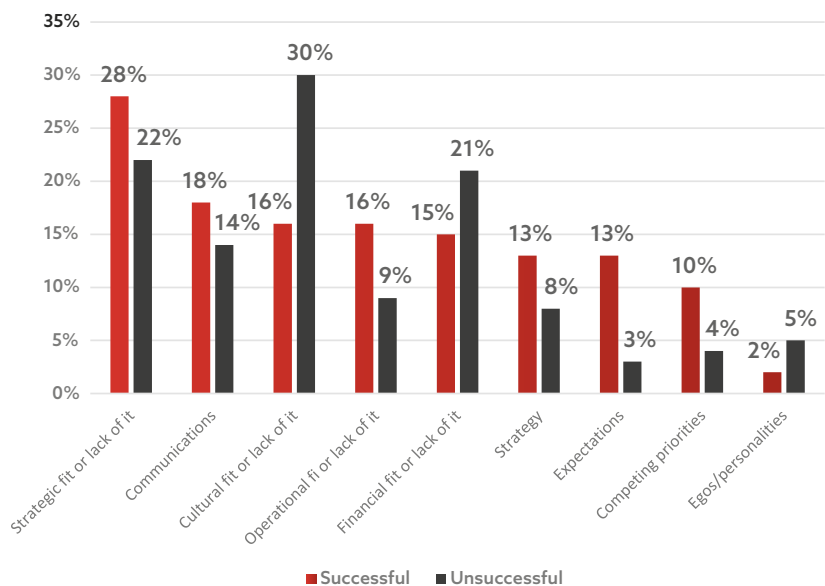
We are in an era where customers expect slick, professional services, not a rundown office above the local butcher with files piled up to the ceiling. Customer experience is becoming ever more important for firms and that requires investment. Professional services need professionalising and it may be that being a larger, better-funded operation is the way to achieve that more quickly.

However, it is time for law firm owners to challenge the conventional wisdom that growth can only be attained by organic strategies. By fully embracing an M&A strategy, even on a modest scale, with the support of an expert adviser, market opportunities can be quickly realised.



Some say the price is only what a buyer will pay. This is utterly flawed as it has to have a financial basis

M&A Strategies







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