

Private equity a 'potential bonanza' for corporate firms - M&A expert

By [Charlie Moloney](#) | 11 July 2023

Dozens of lawyers at listed firm DWF are set to net over £1m each if a private equity buyout goes ahead, according to reports. Sector analysts, meanwhile, believe the sale could spark further PE interest in the legal sector, amid relatively poor stockmarket performance.

DWF's shares have fallen 40% since the international law firm raised £95m in a 2019 IPO that valued the firm at £366m. Reports suggest that at least 40 lawyers who own shares could receive payouts of more than £1m each. The proposed **deal between London-listed DWF and Inflexion Private Equity** is worth about £342m.

Jeff Zindani, managing director at Acqira Professional Services who advises law firms on M&As, noted that this is the first time that private equity has entered the 'corporate commercial marketplace'. Private equity has far focused on consumer legal services, he added, for example through the purchase of PI firm Fletchers Solicitors.



Source: Thinkstock

Speaking about the latest developments at DWF, Zindani said: 'This is interesting because this puts probably more of an impetus on the part of those law firms looking at an IPO or external investment. It is actually "game on" almost with private equity in the corporate/commercial space.'

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Zindani said the acquisition of DWF could 'power up' the firm's growth, which could prove a 'real worry' to some rival firms. 'They have got this beast of a private equity firm ready to spend money on IT and other growth projects,' he said. 'They would not be able to compete on that scale.'

The sale of DWF could encourage investors to buy shares in law firms, Zindani suggested. 'They might think at some point you are going to get a private equity [firm] who are going to buy shares, so it is worth keeping them. This seems to me almost like a bit of a formula. Firms thinking, "we are going to go for an IPO and then, a few years down the line, we are going to sell out further to private equity". It is quite a potential bonanza.'

Tony Williams, principal of Jomati Consultants LLP and a former managing partner at Clifford Chance, was more circumspect. He noted that the financial performance of some law firms shows the market 'punishes companies very hard that provide any negative surprises, any profit warnings, any poor performance' via a drop in the share price.

Share prices can remain low for a 'very long time', Williams added. 'There is not a high level of liquidity in those shares. When the share price is low - and low over a consistent period - private equity start to look and think, "is there value here to be realised?"'

Asked whether the sale could give DWF a competitive advantage, Williams added that private equity investment 'comes at a very high cost.'

'Private equity investments in law firms do not have an unblemished track record,' he added, while the 'relatively poor performance' of quoted firms as a collective could deter some investors from buying shares in future.

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'The rationale for investing is these are good, steady, well-run businesses. The profit warnings are not consistent with that,' added Williams. 'The fact that the DWF share price bounced the minute that was announced shows that investors very much hope a deal like this will go ahead.'

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