

THE EXIT JOURNEY: A GUIDE TO SELLING YOUR LAW FIRM

FOREWORD

JEFF ZINDANI LLB MA, MANAGING DIRECTOR



**EXITING YOUR
LAW FIRM IS MORE
THAN JUST A
BUSINESS DECISION;
IT'S AN EMOTIONAL
JOURNEY AND A
LIFE-CHANGING
EVENT.**

For many law firm owners, the practice isn't just a source of revenue—it's a legacy, a brand, and a culmination of years of dedication. This guide provides a strategic, structured approach to navigating the complexities of selling your firm, helping you to maximize value while preserving the essence of what you've built.

As a seasoned M&A broker and former law firm owner, I understand both the financial and personal implications of exiting a legal practice. My experience has taught me that selling a law firm isn't like selling any other business. It requires deep knowledge of the legal sector, an understanding of the unique challenges that law firm owners face, and the ability to navigate the often opaque world of M&A in the legal market.

This guide is designed to demystify the process and offer a clear path forward, from initial valuation to identifying the right buyer and managing the cultural integration that follows a sale.

A red cursive signature of Jeff Zindani, written in a fluid, handwritten style.

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WHY ARE YOU SELLING?

THE FIRST QUESTION YOU NEED TO ANSWER IS:
WHY ARE YOU SELLING YOUR FIRM?

Understanding your motivations is key to identifying the right buyers and structuring a deal that meets your needs.

Whether you're looking for a complete exit, a partial sale, or a merger that allows you to continue practicing, having a clear vision of your goals will help guide every decision you make along the way.

EXAMPLE:

A mid-sized regional law firm with a strong property law practice recently approached me about selling. After a series of discussions, it became clear that the managing partner was looking to retire, but the other partners wanted to stay on and continue growing the practice.

Instead of a full sale, we structured a deal that allowed the managing partner to cash out, while the remaining partners took a minority stake in the merged entity. This solution provided liquidity for the exiting partner and growth opportunities for the remaining partners.

- ➔ **Full Sale and Exit:** Perfect for owners ready to retire or move on to other ventures.
- ➔ **Partial Sale:** Allows for a gradual transition, giving you time to mentor successors or pursue other interests while remaining engaged.
- ➔ **Merger or Acquisition:** Ideal for those seeking to expand the firm's capabilities or enhance market positioning without relinquishing control entirely.



Mergers are like marriages. They are the bringing together of two individuals. If you wouldn't marry someone for the 'operational efficiencies' they offer in the running of a household, then why would you combine two companies with unique cultures and identities for that reason?

SIMON SINEK

WHAT'S THE FIRM WORTH?

VALUATION IS BOTH AN ART AND A SCIENCE, ESPECIALLY IN THE CONTEXT OF LAW FIRMS.

While revenue, profitability, and market reputation play significant roles, the value of a firm is ultimately what a buyer is willing to pay for it.

This value can be enhanced by emphasizing growth potential, client relationships, and the firm's unique culture.

Valuation Metrics to Consider:

- ➔ **EBITDA and Multiples:** EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortization) is a key metric used in determining a law firm's value. For example, a small boutique law firm with an EBITDA of £500,000 might be valued at a multiple of 4-6 times, depending on market conditions and the firm's niche expertise.
- ➔ **Client Base and Retention:** A law firm that has long-term retainer agreements with corporate clients will command a higher valuation compared to a firm with a high churn rate. A family law firm in London recently sold at a premium because over 60% of its clients had been with the firm for more than 5 years.
- ➔ **Growth Potential:** A law firm with a clear path for expansion—such as adding new practice areas, entering new geographic markets, or leveraging technology to streamline services—will attract strategic buyers willing to pay a higher premium.

- ➔ **Reputation and Market Positioning:** Firms with a solid reputation or niche expertise often attract higher valuations. For example, a boutique intellectual property firm specializing in patent litigation was able to sell at a 30% premium because it was the go-to firm for high-stakes IP disputes in the tech sector.
- ➔ It's important to remember that valuations are never set in stone and can fluctuate based on market conditions, buyer interest, and strategic alignment.
- ➔ Beware as well 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!
- ➔ Lastly on value, I have seen Ikea effect at play, with 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!



Valuation that is not backed up by a story is both soulless and untrustworthy and we remember stories better than spreadsheets

PROFESSOR ASWATH DAMODARAN,
NARRATIVE AND NUMBERS:
THE VALUE OF STORIES IN BUSINESS.

ARE YOU READY TO SELL?

BEFORE YOU ENTER NEGOTIATIONS, ENSURE THAT YOUR FIRM'S FINANCIAL AND OPERATIONAL HOUSE IS IN ORDER.

This includes streamlining finances, enhancing profitability, and presenting a clear growth story. Potential buyers will look closely at your firm's numbers, client list, and ongoing cases. It's crucial to present a well-organized, transparent picture of your law firm.

THE SUCCESSION TRAP

One of the biggest mistakes I see law firm owners make is failing to plan for succession.

If key partners and senior associates are not prepared to step into leadership roles post-sale, the firm's value can plummet. Buyers are wary of acquiring firms where the departure of one or two individuals could lead to a mass exodus of clients.

SOLUTION:

Implement a succession plan well in advance. Encourage junior partners and senior associates to take on more responsibilities and cultivate relationships with key clients. This not only preserves value but also reassures buyers that the firm's success is not tied to one individual.

IDENTIFYING THE RIGHT BUYER

Who are the potential buyers for your firm? It's not just about who has the money, but who aligns with your vision and values. The legal market is sophisticated and diverse, with different types of buyers, including:

➔ **Strategic Buyers:** Often larger firms looking to expand geographically or add new practice areas.

Example: A niche family law firm in Manchester was acquired by a national practice with the strategic goal of becoming the largest family law provider in the UK. The buyer was willing to pay a 10% premium for a firm that would immediately boost their standing and market reach in the North West.

➔ **Private Equity and External Investors:** Interested in firms with predictable revenue streams and growth potential.

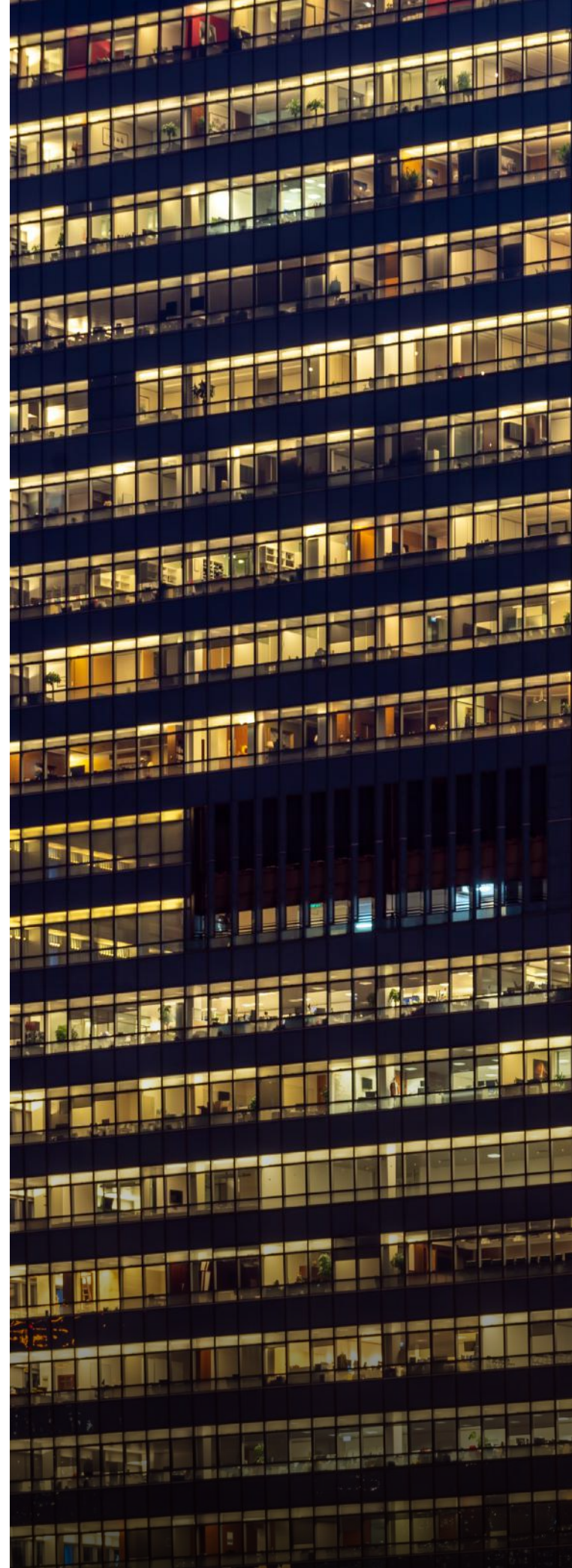
Example: A private equity firm recently acquired a small commercial litigation firm in London that had strong repeat business and a clear plan to expand into arbitration services. The PE firm was attracted by the stable revenue base and the opportunity to introduce new practice areas.

➔ **Management Buyouts (MBOs):** Existing partners or senior associates may want to buy out the current owners.

Example: A medium-sized regional law firm specializing in property law was purchased by its three senior associates, allowing the founding partners to exit while ensuring continuity and stability for the firm's clients and staff.

➔ **Consolidators:** Firms or entities that specialize in acquiring smaller practices to create larger legal networks.

Choosing the right buyer is crucial for ensuring that the firm's legacy, culture, and client relationships are preserved.



CONFIDENTIALITY: THE SHH! FACTOR

CONFIDENTIALITY IS PARAMOUNT THROUGHOUT THE SALE PROCESS. LAWYERS, AS MUCH AS WE'D LIKE TO THINK OTHERWISE, CAN BE NOTORIOUS GOSSIPERS.

Loose talk can lead to client and staff anxiety, causing a flight risk that could reduce the overall value of the firm.

PRACTICAL TIP:

Use non-disclosure agreements (NDAs) and keep the number of people in the know to an absolute minimum. Make sure all interactions are carefully documented, and avoid disclosing sensitive information until it's absolutely necessary.

MANAGING THE SALES PROCESS

ONCE YOU HAVE A STRATEGY, IT'S TIME TO LAUNCH.

The sales process involves several key steps, from creating a teaser about the opportunity to sharing more detailed information through a secure data room. Remember, your job isn't just to provide information, but to tell a compelling story about the firm's future potential.

EXAMPLE:

In one deal, we positioned a small boutique litigation firm as the ideal bolt-on acquisition for a larger regional practice.

By highlighting synergies in client base and presenting a vision for cross-selling services, we were able to generate three competing offers, ultimately securing a 20% higher price for the firm.

THE BUYER MARKET PLACE

The legal market is full of active strategic buyers, consolidators, and private equity firms. With the right preparation and strategy, there is almost always a buyer out there for a well-managed firm. The key is to highlight what makes your firm unique and present a vision for the future that excites potential buyers.

OUR APPROACH

We take pride in operating exclusively "off-market," discreetly approaching potential buyers with precision and confidentiality. Unlike others, we never rely on mass email campaigns or public advertising as part of our sales strategy.

Our strength lies in our proprietary database, which encompasses every law firm in the UK, coupled with deep, trusted relationships with both law firms and investors actively seeking acquisition opportunities.

This ensures we match sellers with the right buyers efficiently and discreetly, preserving the integrity and confidentiality of the process.



An intermediary will take over the complex task of selling the [firm], allowing the owner to continue running the business... The seller's number one concern should be maintaining business as usual.

DON CUMMINS

THE FINAL WORD: EXITING IS NOT THE END

EXITING YOUR FIRM DOESN'T HAVE TO BE THE END OF YOUR LEGAL CAREER OR YOUR ASSOCIATION WITH THE PRACTICE YOU'VE BUILT. MANY SELLERS CHOOSE TO STAY ON AS CONSULTANTS, MENTORS, OR EVEN PART-TIME PRACTITIONERS, HELPING TO SHAPE THE FUTURE OF THE FIRM UNDER NEW LEADERSHIP.

EXAMPLE:

After selling their 20-year-old commercial practice, a group of senior partners chose to stay on as consultants, assisting the new leadership with strategic growth initiatives. This not only ensured continuity but also allowed them to remain involved in the legal profession without the pressures of ownership.

With the right strategy, selling your law firm can be a rewarding experience, both financially and personally.

It's about finding the right partner, preserving your legacy, and ensuring that the firm you've built continues to thrive.



Too often, law firm owners assume that selling a law firm is as straightforward as selling a house. In reality, it is far more complex and nuanced. Unlike a house sale, where financial considerations dominate, exiting a law firm involves a wide array of options that extend beyond purely monetary factors. These options may include strategic partnerships, succession planning, mergers, or other tailored solutions that align with the seller's long-term vision and values. Our role is to demystify this process, uncover the full spectrum of possibilities, and craft an exit strategy that is not only financially sound but also deeply suited to the unique needs and aspirations of each seller.

JEFF ZINDANI

REACH OUT IN COMPLETE CONFIDENCE

IF YOU'RE CONSIDERING SELLING YOUR
LAW FIRM OR EXPLORING YOUR EXIT
OPTIONS, YOU CAN CONTACT JEFF
ZINDANI DIRECTLY.

Rest assured that all discussions will be treated with the highest level of confidentiality and professionalism, ensuring your interests are fully protected throughout the process.



JEFF ZINDANI

**Founder &
Managing Director**

JEFF HAS OVER 30 YEARS' EXPERIENCE IN THE LAW AND HAS BEEN AN EQUITY PARTNER AT RUSSELL JONES AND WALKER, NOW SLATER & GORDON.

He has been described by law firm clients as "insightful", "market sensitive" and "incredibly discrete".

He advises both city type practices and boutique law firms on the challenges facing their businesses now and in the future. He has built up an impressive client list of law firms and legal tech companies.

He enjoys facilitating deals and is an expert on providing solutions for law firms looking to merge, acquire or to redesign their practices.

He is able to guide firms from start to finish and to maximise returns on their capital, work in progress and goodwill.

Although normally retained on a contingent basis, he provides in house advice on M&A processes and regularly helps firms as a consultant to identify suitable targets for merger, acquisition or sale. He can be contacted at

jeff@acquiraps.co.uk.



PIERRE WATSON

**Head of Talent
Acquisition**

PIERRE IS HEAD OF TALENT ACQUISITION. THAT IS, SOURCING AND ACQUIRING TALENTED INDIVIDUALS FOR YOUR LAW FIRM.

He focuses on bespoke headhunting in the legal sector, senior-level executive search, coaching and selection, and has over 15 years' experience in enabling clients to secure the right professionals for their businesses.

His approach steers away from traditional recruiting methods, for example, tending not to be candidate CV-centric, in order to seek 'deep dive' insights into career thinking from those legal professionals with a track record and an established following.

The method is discreet and sometimes a little 'off the wall', as the best results originate from relaxed and informal conversations with potential hires.

Pierre is happy to talk on the telephone, or in person, to explore your options in facilitating your firm's growth plans through the addition of key people and he can be contacted at pierre@acquiraps.co.uk.



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