



MOMENTUM

ACQUIRAPPS.CO.UK

WELCOME TO THE SECOND EDITION OF MOMENTUM, ACQUIRA PROFESSIONAL SERVICES' LAW FIRM M&A ROUNDUP

The purpose of this newsletter is to track M&A activity amongst law firms in England and Wales, as well as to provide thoughtful and robust commentary on business strategy and the state of the market.

This second edition rounds up activity during the first two quarters of 2022. It also focuses on law firm consolidation, particularly in the so-called "independent" sector.

As predicted in our white paper - **Growth Agenda 2022: The New Era of Law Firm M&A** - this year has so far witnessed a significant number of law firm mergers and acquisitions, with no sign of a slowdown in activity.

From international players like Clyde & Co and BLM to smaller regional firms such as DMH Stallard and Griffith Smith, many are seeing the benefits of scaling up through merger.

It's hardly surprising when you consider the numerous pressures facing firms, not least the escalating war for talent and the continued need to invest in new technology. These drivers, along with the

growth of consolidators, mean this trend is set to continue, particularly among independent firms which are becoming increasingly open to the opportunity mergers can bring.

In future editions, we plan to continue to cover a range of themes such as the drivers behind M&A and what makes a merger work well.

If any of this publication sparks your interest, please don't hesitate to get in touch.

Jeff Zindani

June 2022

LAW FIRM CONSOLIDATION DO OR DIE?

“IT IS NOT THE STRONGEST OF THE SPECIES THAT SURVIVES, NOR THE MOST INTELLIGENT. IT IS THE ONE THAT IS THE MOST ADAPTABLE TO CHANGE.”

Charles Darwin

Evidence shows that many law firms have weathered the storm and thrived during Covid.

Looking ahead, however, not every firm is optimistic. Where growth has stalled, rising costs – from salaries to indemnity insurance – mean that some are in danger of imploding if they fail to act decisively.

Some are laser-focused on the need to scale up. Indeed, our research published earlier this year suggested nearly half of managing partners were actively considering M&A in order to grow.

Others, however, remain in denial, hoping that by continuing to do what they have always done – relying on organic growth and putting a bit extra into marketing spend – they will survive.

Perhaps for some, by luck or by having a particularly resilient niche in the market, this approach may work without the need for change.

For others, sticking with the old ways will not be enough and the clock is ticking.

RIGHT PEOPLE, RIGHT TIME

“YOU DON’T BUILD A BUSINESS – YOU BUILD PEOPLE – AND THEN PEOPLE BUILD THE BUSINESS.”

Zig Ziglar

One key driver of growth is securing the right people for your firm, in a timely fashion.

Almost daily, we see another firm announcing eyebrow-raising, sky-high pay rises for newly qualified lawyers. Away from the eye-watering figures like £165,000 being touted by the big US law firms in London, Pinsent Masons recently upped pay for newly qualified lawyers in the capital to £92,000, a 23% rise. In the regions, the rise was even sharper – up 36% to £61,000.

Escalating salaries and a lack of supply makes it harder for mid-tier and smaller firms to compete. Add to that a firm that lacks forward momentum and talented junior lawyers will go elsewhere, attracted by higher pay, a more vibrant corporate vision and the promise of progression.

FIT FOR GROWTH

The need to attract and retain lawyers, via attractive rewards and lively culture, is just one consideration.

Others include the need for IT investment. Technology is an essential asset to a progressive law firm and many struggle to keep up. Well-oiled, effective systems can provide huge operational benefits in underpinning the processing of caseloads. Rather than simply going it alone, perhaps it is time to look elsewhere? Quill pens and abacus not included.

There is also the ability to gain access to corporate legal panels, the increased resources needed to cover risk and compliance requirements and the cost of professional indemnity insurance. Smaller firms are seeing hikes as high as 45% over

three to four years, whilst larger firms have more bargaining power and better compliance processes, and so are able to negotiate better terms rather than taking a further hit to profitability. As one partner from a top 100 law firm recently observed, it's not just professional indemnity insurance that is causing concern but the growing and worrying cost of cyber insurance.

Inevitably these pressures will accelerate market consolidation; 63% of managing partners we spoke to for our survey expected consolidation to continue throughout 2022 and we have already seen significant merger activity this year, with the merger between BLM and Clyde & Co and planned merger of Weightmans and RadcliffesLeBrasseur to name but two.

Of those we surveyed who were considering M&A, nearly a quarter were already in talks about a possible deal, while a further 57% were "actively" seeking it. The remaining 20% were at the early stages of the strategy and had not acted yet.

This sets the scene for a continuing surge in M&A, particularly amongst independent firms for whom the need to scale up is most urgent.

Successful firms will look upon the configuration of current pressures as an opportunity and be open to the possibilities of merging with like-minded firms. To navigate the market, they will also turn to 'a safe pair of hands' in the form of expert advisors who have such experience, to assist them through the process.

REGIONAL CLUSTERS PRIMED FOR MERGERS

“THERE’S GOLD IN THEM THERE HILLS.”

M. F. Stephenson

There are regions of the country with clusters of firms that all advise on roughly the same practice areas. For many of these firms, growth has stalled. It is here that we will see much of this consolidation, with clustered firms merging in places like Leeds and Manchester, the South-East of England, Glasgow and Edinburgh.

This is already happening – look at Yorkshire-based Switalskis. The firm acquired two firms in recent times, Pryers in York and Atherton Godfrey

in Doncaster and now has 12 offices across the county.

Other firms will be actively seeking to be acquired – perhaps due to personal injury reforms making the work less profitable unless it can be undertaken at scale, or for succession reasons as increasing numbers of partners near retirement age.

There will also be firms looking to merge in order to expand geographically, diversify into new practice areas, operate in non-legal sector services or due to pressure or requests from clients to provide other services.

MARCH OF THE CONSOLIDATORS

“A MERGER BASED UPON A STRONG BUSINESS CASE, IF WELL IMPLEMENTED, SHOULD HELP TO BUILD LONG TERM SUSTAINABLE PROFITABILITY.”

Peter Scott, Former Managing Partner of Eversheds

We are seeing a growing number of consolidators with deep pockets, looking to acquire smaller firms and benefit from economies of scale. There are currently around a dozen in the legal market, including the likes of listed law firm Knights and consolidation vehicle Metamorph Law.

Firms that were bought out last year by private equity firms with the intention of making acquisitions, are beginning to make their moves. Fisher Jones Greenwood, an Essex law firm, was bought by private equity firm Blix Group in August 2021 with a view to building a £100m practice in the next five years. This month it acquired Steed and Steed, which has offices in both Essex and Suffolk.

Serious injury firm Fletchers was acquired last October by private equity firm Sun European Partners and has just announced the acquisition of Cycle SOS. The combination of firms under pressure to scale up and larger firms looking for acquisition targets, means consolidation is set to continue. Our experience, speaking to firms across the country, is that this is unlikely to change any time soon.

There is a considerable appetite to do deals out there and we are going to see a lot more activity over the course of 2022.

We are on hand to assist any firms looking to explore their options.

MERGER NEWS

The research Acquiria Professional Services published earlier this year found that half of law firms were considering mergers and acquisitions.

Well, the activity we have seen so far in 2022 seems to bear that out, especially given the growing number of consolidators prowling the market.

Knights unveiled its 16th acquisition since floating in June 2018 – York and Lincoln firm **Langleys** in an £11.5m deal. The deal means 72 new fee-earners for Knights, but the future of 69 others – 64 who work in Langleys’ volume residential conveyancing business, Home Property Lawyers Ltd, and five in its legal aid child law team – is uncertain. Langleys had a turnover of £14m in its last financial year.

The terms of the deal had to be adjusted following the crash in Knights’ share price caused by a profits warning, meaning that the £2.75m in shares that the four equity partners were to receive as part of the £8m upfront payment have instead be added to deferred cash payments being made over the next three years.

Huge international professional services group **ETL Global** – which entered the UK legal market by buying Glaisyers in 2018, before adding Laytons last year

– has backed two smaller deals. First, **Glaisyers ETL** took a minority stake in specialist investment fraud practice **Wealth Recovery Solicitors** (unusually, as ETL generally takes majority stakes). Then **Laytons ETL** bought five-partner **Cannings Connolly**, which it said has particular strengths in commercial real estate, as well as property, construction and planning litigation.

Two of the newest recipients of private equity investment recently made their first acquisitions: Southport-based personal injury giant **Fletchers**, which was bought by **Sun Capital** last October, acquired the personal injury work of Burnley firm **Smith Jones** and its specialist brand for injured cyclists, Cycle SOS; and **Fisher Jones Greenwood**, the Essex law firm backed since August by private equity firm **Blixt Group**, purchased **Steed & Steed**, a firm with an office in Essex and another in Suffolk. Both acquirers made clear their intentions for further deals – Fisher Jones has a goal of building a £100m practice. It has a long way to go.

Legal and professional services group **Ampa** – which owns leading midlands practice **Shakespeare Martineau** – made its first law firm acquisition since unveiling its ‘house of brands’ strategy: Sussex law firm **Mayo Wynne Baxter**.

It will continue to operate as a separate LLP, retaining its brand, except for its personal injury and clinical negligence teams, which will join Ampa’s existing brand, Lime Solicitors.

Two of the other listed law firms pressed ahead with diversifying into non-legal services. **Gateley** is spending £20m on chartered surveyors **Smithers Purslow**. It is the 12th acquisition – 10 of which have been non-legal services businesses – since Gateley became the first law firm to list in June 2015. Meanwhile, **The Ince Group** pressed ahead with its £10m acquisition of corporate adviser and stockbroker **Arden Partners** even though the London Stock Exchange decided Arden could no longer act as a nominated adviser on AIM listings.

The biggest deal announced so far this year is in the world of insurance and commercial law, with **Clyde & Co** and **BLM’s** merger set to go live in July. The firm will be known as Clyde & Co and together will have a global revenue of over £700m per annum, a headcount of over 5,000, with offices in over 60 cities worldwide.

Meanwhile, **Weightmans and RadcliffesLeBrasseur** are merging to create what they say will be “a leading UK practice in healthcare in particular and increase the market presence of both firms in London”. The merged firm will have 225 partners and a total headcount of over 1,400 people. It will be known as Weightmans.

Royds Withy King and **Goodman Derrick** completed their merger on 1 May to create RWK Goodman, a firm

of around 360 lawyers in London, the South-West and Thames Valley.

Elsewhere:

- South-east law firm **DMH Stallard** took over two-office West Sussex firm Griffith Smith. With Griffith Smith’s seven partners and 35 staff, DMH has 75 partners and 250 staff in a £36m practice;
- In Kent, **Manak Solicitors** acquired Sevenoaks firm **Walker & Walker**, whose two founding partners moved over with eight staff. Manak now has 45 staff in three offices in Kent and one in London;
- **Moore & Tibbits** in Warwick acquired five-lawyer Kenilworth and Rugby-based private client specialist **Davidson Mahon** to create a 70-strong firm;
- In Yorkshire, **Dawson & Burgess** merged with **Kenyon Son & Craddock** to create a six-office practice;
- Leicester law firm Lawson West has acquired niche property firm **Websters**; and
- South coast firm **Churchers** has expanded its presence on the Isle of Wight by merging with **RJR Solicitors**. It now has six offices on the island.

Finally, and hot off the press, is Knights announcement of another acquisition (number 17) with the purchase of South-East full-service law firm, Coffin Mew, with a turnover of approximately £11.5m. When will they stop?

...IN THE NEXT EDITION

I'm currently travelling the country again interviewing law firm leaders and decision-makers about their M&A plans.

I will also be spending more time with boutique law firm owners who are looking ahead to determine their future growth trajectory.

So, in next edition of Momentum, as well as providing an M&A roundup and commentary, we will be looking at the boutique law firm sector that has grown so rapidly over the past 5 years.

Momentum Next Edition: Due September 2022.

Jeff Zindani
Founder and
Managing Director



Jeff has over 25 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.



ACQUIRA PROFESSIONAL SERVICES
5 Chancery Lane, Holborn, London EC4A 1BL

T: **020 3239 3192**

E: **contact@acquiraps.co.uk**

Jeff Zindani
Merger Consultant

E: **jeff@acquiraps.co.uk**

Pierre Watson
Head of Talent Acquisition

E: **pierre@acquiraps.co.uk**

ACQUIRAPS.CO.UK