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WELCOME TO THE APRIL 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.

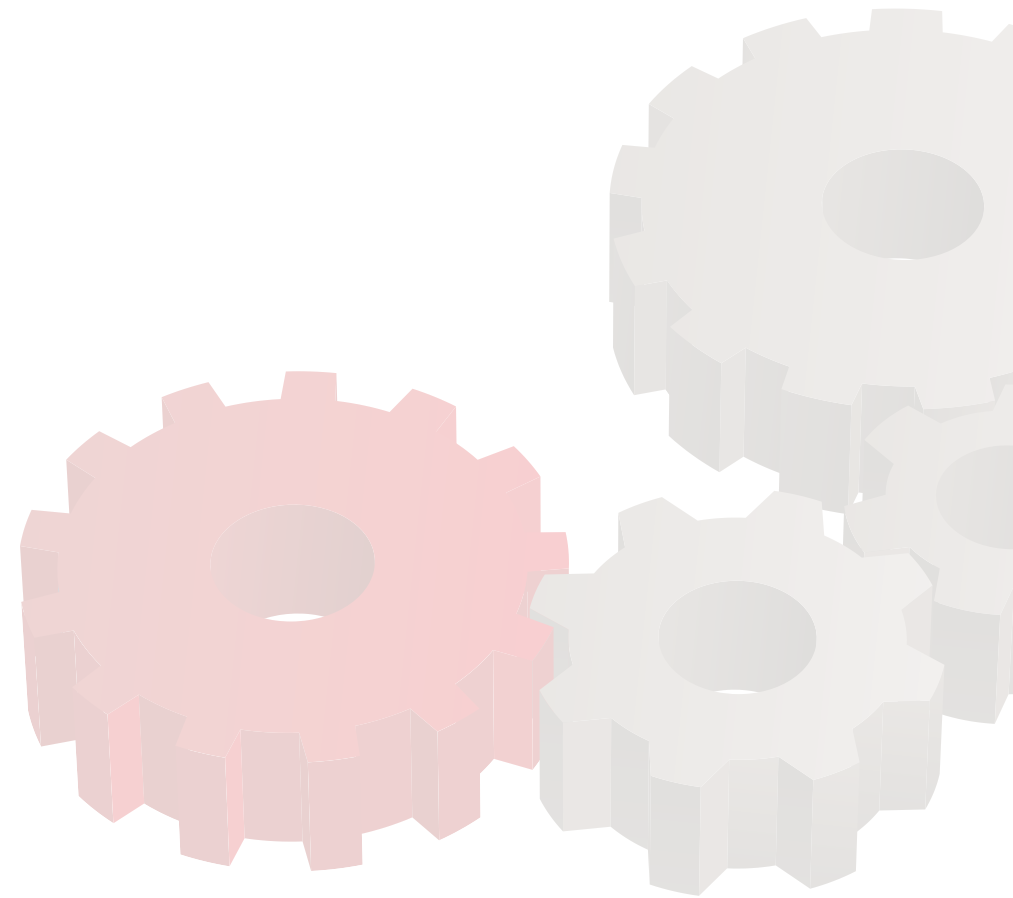
While the last quarter of 2022 saw a general slowdown in M&A activity, amongst law firm leaders there remains considerable interest in exploring possible mergers, with the last few weeks seeing a flurry of deals.

Despite economic uncertainty, there are still opportunities for growth and amongst the larger firms-it is the possibility of acquiring boutique firms that is proving most attractive.

In this edition, we consider the strategies behind this trend and why acquiring firms need to think carefully about what they have to offer niche firms – not just what they have to gain.

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

Jeff Zindani
April 2023



POWERING GROWTH: A STRATEGIC APPROACH TO MAKING ACQUISITIONS

We may have seen a slump in mergers and acquisitions (M&A) at the tail end of last year but, according to a recent Deloitte survey, the majority of financial teams are still planning on conducting some form of acquisition over the next twelve months.

In the legal sector, there remains a considerable appetite for M&A despite the difficult economic headwinds, with law firm leaders recognising the benefits in terms of sustainable growth, momentum and the ability to attract and retain talent.

As discussed in our last newsletter, even in difficult market conditions there will always be opportunities for growth, and for firms looking to remain agile and gain an advantage over their competitors, a merger or acquisition may well be the best option for expansion.

For many of the larger firms we speak to, the merger opportunity proving most attractive is the possibility of smaller bolt-on acquisitions, with boutique firms the top of the list.

BUYING WHAT YOU DON'T HAVE AND CANNOT BUILD

Larger firms see the acquisition of niche firms as an opportunity to fill capability that they don't have and would struggle to build or replicate through recruitment and organic growth alone. Bringing in lateral hires capable of building a team from the ground up is a big ask and can take years not months.

This is a strategy that makes sense for a larger practice, particularly given the small scale of these deals makes them lower risk for the acquirer. Even in the unfortunate event that the acquisition fails, it will not seriously impact the firm in the same way a failed merger of equals might.

This big fish acquiring small fish game has a predictable playbook and we are seeing highly profitable and niche practices become sought after acquisition targets, leading to demand outstripping supply and high premiums being paid by successful buyers.

BUT IT ISN'T ALWAYS PLAIN SAILING.

Given the high price tag, considerable work and careful planning is needed to make sure acquisitions like these deliver for the long term.

IT'S NOT WHAT YOU GAIN BUT WHAT YOU GIVE THAT MATTERS

Often the success of a boutique firm is driven by the founder's passion and a culture and purpose that attracts clients and fee earners alike. One clear danger is that the acquiring firm ends up destroying the very value that attracted them to make the acquisition in the first place.

A brilliant report from McKinsey & Company - [Driving Growth in Consumer Goods through Programmatic M&A](#) - explains that there has to be a shift from focusing on what you can gain from an acquisition to what you can give:

“EXECUTIVES SHOULD RECOGNISE THAT A DEAL IS ABOUT NOT JUST WHAT A TARGET CAN DO FOR THEM BUT ALSO WHAT THEY CAN DO FOR THE TARGET. M&A STRATEGY GROUNDED IN AN ACQUIRER'S CONTRIBUTION TO A TARGET IS CRITICAL”.

This can also be applied to the legal sector - the savvy law firm should not talk in abstract terms about “synergies” but instead work on concrete opportunities that have the potential to improve both firms.

We recently saw first-hand lawyers in a much larger firm being outclassed in pre-merger talks by their smaller counterparts. Post-merger, however, both firms benefitted – the larger firm from having new top guns on board and the smaller from being part of a far larger department that had real strength in depth.

GETTING THE INTEGRATION MODEL RIGHT

“INTEGRATION PLANNING CANNOT BE A PROCESS WHERE LEADERS FILL OUT TEMPLATES OR PREPARE STACKS OF FORMS THAT ARE DESTINED FOR A SERIES OF MASSIVE THREE-RING BINDERS... INTEGRATION IS WHERE THE RUBBER MEETS THE ROAD.”

The Synergy Solution-How Companies Win the M&A Game

In my experience, very few law firms have a clearly defined model for post-merger integration. There are a number of options available from the most common, full integration model favoured by firms like Knights, to the partial integration we have seen with Shakespeare Martineau part of Ampa which is

the holding LLP with its “house of brands”. There is also a stand-alone model – something that is much rarer in the legal sector.

When developing an integration model and deciding on the best approach for your business and its acquisition target, fundamental questions need to be asked about how the smaller firm’s brand or culture could be adversely affected by full or even partial integration. Is there a possibility the best talent from the junior partner and associate level will leave?

All too often have I heard partners from acquirer firms talk of full integration in terms of when, not if it will happen. Unfortunately, very little analysis takes place into the pros and cons of

different models. This is intelligently explored by the recent McKinsey report and can equally be applied in a law firm merger scenario.

It involves considering the control, oversight, operational support and efficiency savings that come with full integration, whilst balancing the need to retain talent, maintain culture and foster innovation – something that can more often be more easily achieved with more hands-off approach to integration. The report explains that “partial integration can provide the right level of collaboration and coordination while enabling the small brand to safeguard its “secret sauce”—the elements of the target that make it unique,” and highlights the importance of “intangible elements such as culture, mindset, and employee affiliation to a brand or vision”.

Too often we see lawyers focus almost entirely on profitability, with far more time and effort given over to financial due diligence when compared to assessing the talent within the organisation and the nature of its culture.

BUILDING AN M&A ENGINE

For firms that take a considered and strategically planned approach to M&A, the potential rewards are great. Growth powered through acquisition is far quicker than relying on individual lateral hires, marketing and internal promotions – the traditional levers of growth generally favoured by law firms.

Smaller, bolt-on acquisitions offer the opportunity to scale -up, bring in new service offerings and boost your firm’s expertise in profitable sectors, with relatively low risk to your existing business.

These benefits will only be realised, however, if you approach M&A looking at what your firm has to offer any acquisition, how you can best retain what has made them a success and how you can achieve a model that works for both parties.

IN SUMMARY, YOU NEED TO BUILD AN M&A ENGINE TO POWER GROWTH FOR YOUR LAW FIRM.

MERGER AND ACQUISITION ROUND UP

The last six months has seen a typically wide variety of M&A activity in the legal market. In many ways, it's not the deals that have made the headlines but the potential mergers that have ended at the "talk" stage.

The mega-merger between **Womble Bond Dickinson** and **BDB Pitmans** was formally brought to an end in early February when they scrapped plans for a deal.

The law firms, who first entered talks in autumn 2022, said in a joint statement they had "decided not to proceed further with their proposed merger", which would see them create a firm with annual turnovers of more than £400m.

"AFTER EXTENSIVE DISCUSSIONS ON THE COMBINED PROPOSITION, BOTH FIRMS HAVE DECIDED THAT THE BEST PATH FORWARD IS TO REMAIN INDEPENDENT OF EACH OTHER," they said.

Speaking to City A.M, Jeff Zindani argued the size discrepancy between the two firms may have undermined the transatlantic merger plans. He noted that while mid-market Anglo-American law firm Womble Bond Dickinson generated revenues of \$521m (£423m), UK national law firm BDB Pitmans generated £55m in revenues over the same period of time.

The sheer size of Womble Bond Dickinson would mean any deal between the two firms would have looked more like a "takeover acquisition".

"Straightaway Womble Bond Dickinson become the dominant partner," Zindani said.

Meanwhile, a client of a commercial law firm in Exeter has taken a minority stake and become a director. What was **Bertram Law Fairbanks** after Andy Fairbanks invested. The local

businessman has other interests that can provide support services to the firm, including marketing, finance and HR.

There is always activity in the personal injury market. We have seen **Express Solicitors** acquire Lancashire firm **Michael W Halsall Solicitors**, which was in run-off.

JAMES MAXEY, EXPRESS SOLICITORS' MANAGING PARTNER, SAID HE HAS MORE DEALS LINED UP AS THE MANCHESTER FIRM AIMS TO BECOME THE NUMBER ONE CLAIMANT PI PRACTICE IN THE COUNTRY.

Listed law firm **Ince Group**, now in administration, sold its Bristol-based 15-lawyer claimant PI and clinical negligence practice to **Enable Law** for £1.3m.

Another acquisitive Manchester-based law firm, **AWH**, which is backed by private equity investor Sandton Capital Partners, bought legal aid practice **Cartwright King** out of administration just before Christmas.

The jobs of all 80 staff at Cartwright King, which has 10 offices around the country, were saved. AWH paid only £200,000 up front for a firm whose turnover in 2021, according to its most recent accounts was just shy of £10m.

Wales has been a hive of activity. The largest firm in the country, **Hugh James**, acquired Manchester-based catastrophic personal injury and clinical negligence practice **Potter Rees Dolan**, which also had Court of Protection and welfare benefits departments. It had nine partners and more than 65 staff. Hugh James now has over 550 staff, including 67 partners.

Commercial firm **Acuity Law**, which is one to watch, has acquired specialist dental law firm **Goodman Grant**. Acuity, which has offices in Cardiff, Swansea, Bristol and London, adds Leeds and Liverpool to its network with the deal.

Martyn Prowel of Cardiff and Bridgend has merged with **Gartsides** in Newport and Abergavenny to create **Martyn Prowel Gartsides**. The combined legal practice has doubled in size to 60 staff.

Counterculture Partnership – an innovative multi-disciplinary practice focused on the cultural, creative and not-for-profit sectors – has acquired two-partner North Yorkshire firm **Hall & Birtles** to operate as its private client practice.

Hall & Birtles' offices in Leyburn and Hawes will be added to Counterculture's presence in Manchester, Edinburgh and Lewes, East Sussex. Counterculture now has 36 partners and 15 staff across a wide range of professional specialisms.

A fascinating and eye-catching move was the acquisition of **I Will Solicitors**, a Birmingham-based law firm with 10 fee-earners specialising in Islamic wills, by **Wahed**, a fintech company providing Shari'ah-compliant financial services.

Wahed also bought **True Wills**, which was co-founded by a solicitor and said to be the UK's first fully online Islamic wills service. It will act as a 'funnel' to I Wills for those who need more than just a simple will.

Wahed offers "ethical and halal investing" through a digital platform. Founded in 2015 in the US, it has over 300,000 customers in the US, UK, Malaysia and other countries, and last autumn opened a physical branch in central London. Wahed is providing technology, HR support and resources to help the law firm develop its offering in time to related Islamic law services, such as a property and family work.

Other deals announced in recent months:

- Private equity-owned **Stowe Family Law** bought **Watson Thomas**, firm with offices in Fleet and Winchester in Hampshire, and Guildford in Surrey. It also has meeting rooms in five other locations, including London. The firm has three partners and 13 fee-earners.
- Lancashire firm **Farleys**, which was acquired last autumn by private equity house Blixt, has bought **Mulderrigs**, a two-partner firm specialising in serious injury and professional negligence claims. Mulderrigs will continue to operate under its own brand and gives Farleys a seventh office in Lancashire and Greater Manchester.
- London firm **Howard Kennedy** has acquired **Corbett & Co**, an international construction law boutique, adding seven lawyers, including three new partners, taking the total to 59.
- In Kent, **Boys & Maughan** and Canterbury-based **Gardner Croft** are merging to create a practice with 180 staff, initially spread across seven sites. The firms are to merge their Canterbury offices in the summer, which will trade as Boys & Maughan Incorporating Gardner Croft. Gardner Croft's three partners are moving across.
- Top-50 law firm **Birketts**, headquartered in Ipswich, has merged with **Batchelors Solicitors**, which has around 40 staff in Bromley, Kent and the City of London. Eight partners from Batchelors will take the total at Birketts to 106. It now has six offices.
- Conveyancing firm **Grey-Smith Legal**, based in Saltburn, North Yorkshire, has acquired **Cochrane's Law Firm**, taking on 15 members of staff in the Teesside towns of Stockton and Billingham.
- In the South-West, **Everys Solicitors** has merged with **Stokes Partners**. It will operate as Everys Solicitors incorporating Stokes Partners. The firm has over 140 staff, including 17 partners, and is spread over eight locations throughout East Devon, Somerset and London.
- **IBB Law**, based in Uxbridge in West London with offices into the Thames Valley, has merged with Slough-based commercial firm **Owen White Solicitors**, creating a 36-partner, 110-lawyer, £24m-turnover full-service law firm. The combined workforce is 261 people and the plan is to reach a turnover of £30m by 2024/25. Owen White had five partners and 25 lawyers.
- **Bendles**, which has offices in Carlisle and Wigton, has bought **Bleasdales** in Whitehaven. Bendles also own Tiffens Estate Agents. Three fee-earners took Bendles to 25.
- Consultancy law firm **Excello Law** has acquired another fee-share practice, **My Business Counsel**. The 40 consultant lawyers joining increase Excello's headcount by a quarter to 200.
- London's **Payne Hicks Beach** has acquired niche sports law practice **Solesbury Gay**.
- Top US practice **Milbank** acquired the London office of Scottish firm **Dickson Minto**, bringing in a team of seven partners and 20 associates.
- National firm **Shakespeare Martineau** has absorbed five-strong company secretarial business **Bruce Wallace Associates**.
- **Foot Anstey** has established its first presence outside of the South and South-West by acquiring part of **Clarke Wilmott's** intellectual property team, based in Manchester. The five-strong team is active in the retail sector, which is a core focus for Foot Anstey.

...IN THE NEXT EDITION

I'm currently looking at why cultural issues are so neglected with law firm M&A.

Why for example, do law firms pay lip service to cultural alignment and elevate the financial case, so that nothing else seems to matter?

So, in next edition of Momentum, as well as providing an M&A roundup and commentary, we will be looking at the business of culture when M&A gets done in the legal sector.

Momentum Q2: Due July 2023

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.



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