



Workshop #2: The Gates of Janus: A Small to Mid-Size Law Firm Merger Workshop



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Some relevant statistics:

In 2020, many analysts were predicting a significant increase in law firm merger activity once the COVID-19 pandemic abated.

That didn't occur, however.

Based upon data compiled by Washington, DC based Fairfax Associates, 41 law firm mergers were completed in 2021; a slight increase over 2020, but well below the historical average of 55 mergers per year during the previous ten years.

63% of all mergers completed in 2021 involved smaller law firms (ranging between 5 and 20 lawyers).

Only one large firm merger was completed between Holland & Knight (1,200 lawyers) and Thompson & Knight (278 lawyers).

In 2022, law firm merger activity was also well below historical levels.

The majority of the 2022 mergers involved law firms of 30 lawyers or less; well below the historical average of 55 mergers per year over the previous 10 years.

Although it's too early to make firm predictions for 2023, Fairfax Associates opines that law firm merger activity is expected to increase in 2023 due to recession fears.

LawVision's co-founding principal Michael Short wrote that only 1 out of 10 initial merger interest conversations advance to more formal discussions, and only 1 out of 2 of those discussions end up with a deal.

According to Short, there are several key reasons that the odds do not favor successful mergers:

- There is a declining number of viable candidates especially in more mature markets;
- Good candidates still want to go at it alone;
- One firm pitches its “greatness” thereby implying that the other firm isn’t so great;

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- Chemistry and cultures don't match on important issues such as partner compensation and indebtedness;
 - Deal killing conflicts often arise;
 - One firm is trying to “win”;
 - One firm is trying to solve an internal problem by merging.

Another grim statistic.

According to legal consultant Hayse, LLC of Dallas, TX, only about half of all law firm mergers successfully met the post merger expectations of the merging firms.

Thank you for attending.



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