

US Law Firm Mergers & Acquisitions in 2018

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By Mayra Rocha

A Flourishing Year for Law Firm Mergers in 2018

The legal industry saw an unprecedented number of mergers & acquisitions in 2018. A total of 106 law firm combinations were reported by Altman Weil MergerLine, who has documented merger activity since 2007, when they announced a total of 60 mergers for that year.

The 2018 outcome was most likely influenced by an all-time high stock market and strong economic growth. It broke the record with the most combinations, which was previously held in 2017 with 102 mergers.

With the exception of a small slowing in Q2 2009 and an extended plunge from 2010-2012 resulting from the Great Financial Crisis and its subsequent anemic economic recovery, the merger trend has been on an upswing since 2007.

For 2018, the average target acquisition was 27 lawyers, the average acquirer size was 1,010 lawyers, with AmLaw acquirers accounting for 30%. The top region targeted was the Middle Atlantic with 25% of the acquisitions, following the South with 22%, the Midwest with 20%, and the West with 18%. Trailing the pack was the New England region, sporting only 3% of total acquisitions.

"The largest firms are making aggressive national and international moves; mid-sized firms are bulking up regionally; and dozens of small firms are pairing up to fortify themselves in local markets," says Altman Weil principal Tom Clay. They want to bring new, high-quality clients to the firm, add or enhance a practice specialty, or get positioned in a high-potential geographic market, Clay said.

Of note, in a growing trend, 13% of the overall deal market consisted of cross-border acquisitions. The largest acquisition by a US firm in 2018 was Bryan Caves, a 900-lawyer, St. Louis based firm which merged with Berwin Leight Paisner, a London-based, 666-lawyer law firm. In this international segment, New York City was the biggest acquirer with ten firms acquiring law offices in countries from Indonesia, Denmark, Kenya to Chile, Malaysia and Belgium.

Excluding the cross-border merger market, according to Altman Weil data, 91% of overall combinations, both acquirer and acquired firms were headquartered in the same geographic region.

Florida 2018 Legal Industry Merger & Acquisition Spotlight

In the south region, according to Altman Weil data, there were 23 combinations and of those, 9 were with Florida law firms. The largest Florida acquisition was by Nelson Mullins, which acquired Broad and Cassel, added 160 Orlando based lawyers to its 584 Atlanta-based law firm.

Florida is an attractive market for its position as the 4th largest US Economy and its growing population. Most of the merger activity in Florida occurred in the 2-20 law-firm space.

Out of the nine Florida firms acquired, five were out-of-state competitors merging with Florida legal firms and four were within Florida acquired firms. Most of the combinations occurred in Q1, skipping Q2, and getting back into play for Q3 and Q4.

Some of the more notable deals included those of Day Pitney in Parsippany, New Jersey, who picked up 15 lawyers from Richman Greer in Miami, FL, and the Law Offices of Michelle Ghidotti, from Santa Ana, California, who added 7 lawyers from the Berger Firm, also from Miami, FL. The law firm Akerman which already boasted 650 lawyers, merged with the Ackerman Law Group in West Palm Beach, adding 6 lawyers to its offices.

On the buyer end, only one Florida law-firm merged with an out-of-state firm. Tampa-based ALAW, acquired Felty and Lembright from Cleveland, Ohio, adding 5 lawyers to its 26-lawyer count.

The opportunity for law firms M&A will most likely continue as firms look to expand their market, brand and cut costs. Florida's economic growth, its geographic location and proximity to Latin America, will probably continue to add to strategic combinations in the future.

