

Law Firm Mergers Impacted by Covid-19 in 2020 but Expected to Rebound in 2021

WASHINGTON, D.C., December 31, 2020 – Law firm merger activity was significantly down in 2020, which saw the fewest mergers since 2010, according to the merger research team at Fairfax Associates.

In 2020, Fairfax Associates tracked 41 completed mergers (meaning the effective date of the merger occurred during 2020), with nine occurring in the fourth quarter. This is down by nearly 30% from the 59 mergers Fairfax tracked in 2019, and lower than the historical average of 54 mergers per year over the previous 10 years (from 2010 to 2019).

The reduction in merger activity largely reflects the high levels of uncertainty experienced by law firms in 2020 as a result of the Covid-19 pandemic, as well as the challenges associated with negotiating a combination of law firm partnerships in a virtual environment. Based on our work with leading law firms, many continued to be interested in growth, particularly in the second half of 2020, so we expect the downturn in completed mergers to be a one-time aberration.

Sixty-eight percent of all mergers completed in 2020 were small, with at least one of the firms having between five and 20 lawyers. This is a lower percentage than in 2019, when eighty-five percent of all mergers involved one firm with between five and 20 lawyers. This shift was attributable in part to the fact that in 2019 there were no mergers where the smaller firm had more than 100 lawyers, while in 2020 we kicked off the year with seven such mergers.

The two largest mergers of the year involved Philadelphia-based firms. Faegre Baker Daniels combined with Drinker Biddle & Reath to form the 1,300-lawyer Faegre Drinker Biddle & Reath. And Troutman Sanders combined with Pepper Hamilton to form the 1,100-lawyer Troutman Pepper. The third largest merger was Dentons' combination with Bingham Greenebaum of Indianapolis (178 lawyers), part of its Operation Golden Spike initiative in the US. The other significant mergers of 2020 (those where both firms had 100+ lawyers) included two additional Dentons transactions (Cohen & Grigsby in Pittsburgh and Kensington Swan in New Zealand) as well as the combination of Kansas City-based Lathrop Gage with Minneapolis-based Gray Plant Mooty to form 400-lawyer Lathrop GPM, and the tie-up of Ohio-based Taft Stettinius with Minneapolis-based Briggs & Morgan to form a 600-lawyer firm.

Regionally, there were seven mergers apiece in both California (including four in the Los Angeles area) and in Pennsylvania (including five in Philadelphia). There were five mergers in New York state (three in New York City and its suburbs, and two in Albany). Massachusetts, Michigan, and Minnesota saw two mergers each.

There were seven cross-border mergers in 2020, compared to 10 in 2019. Dentons accounted for six of those mergers; the seventh was Littler's tie-up with Polish firm Paruch Chrusciel Schiffter.

Dentons accounted for a significant portion of merger activity in 2020 – twenty-two percent of all mergers tracked. In addition to the firm's cross-border activity in Zambia, Angola, Uruguay, Argentina, South Korea, and New Zealand, Denton's Operation Golden Spike also resulted in significant domestic combinations in Salt Lake City, Indianapolis, and Pittsburgh. Dentons also has four announced mergers pending closure, including three in Africa, as part of its long-term strategy on the continent, and two additional combinations as part of Operation Golden Spike – in Iowa (Davis Brown) and Alabama (Sirote).

Looking ahead, four mergers have been announced for completion in the first quarter of 2021, with the largest being the cross-border merger of Littler (c. 1500 lawyers) with Madrid-based Abdón Pedrajas (39 lawyers). Additional pending mergers include Philadelphia-based Fox Rothschild (930 lawyers), with San Francisco-based Greene Radovsky Maloney Share & Hennigh (21 lawyers), and Detroit-based Dickinson Wright (475 lawyers) merging with Chicago-based Stahl Cowen Crowley Addis (12 lawyers). Finally, the

immigration law firm of Wolfsdorf Rosenthal, based in Santa Monica (23 lawyers), has announced a partnership with Boston-based immigration firm Chin & Curtis (12 lawyers), though both firms will retain their current branding and leadership.

While law firms continue to face logistical challenges associated with cultivating merger relationships and pushing towards more serious discussions due to the remote environment, many firms remain committed to growth and expansion and are continuing to explore merger options. As a result, we anticipate that merger activity will return to more typical levels by mid-2021, although given the time required to complete a merger, the results of these discussions may not be visible until later in 2021 or early 2022.

Fairfax Associates collects data from published reports, press releases and direct reports from law firms. Mergers are reported where the acquired firm has five or more lawyers. Upon routine verification of the data, some historical numbers may have been updated since previously issued reports, and the number of mergers contained herein may change as additional mergers are announced.

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About Fairfax Associates

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