

First Quarter Law Firm Mergers Below Historical Averages

WASHINGTON, D.C., April 1, 2022 (Updated) – It was a surprisingly quiet quarter for law firm mergers, despite several mergers announced in 2021 becoming effective in Q1 of 2022, according to the merger research team at Fairfax Associates.

In the first quarter of 2022, we tracked 14 completed mergers (meaning the effective date of the merger occurred during Q1 2022). This is a decline from 17 mergers in Q1 2021, and well below the historical average of 22 per year when compared to our data over the first quarter of the last 10 years (from 2012 to 2021). In more typical years, mergers announced for the first quarter of the year tend to be higher than other quarters, as firms seek to time combinations to calendar year-end to ease operational and financial integration. However, given 2021's unprecedented level of demand for legal services and the ongoing disruption of COVID on operations and in-person meetings, fewer firms were able to dedicate the resources necessary to finalize mergers during the year.

Sixty-five percent of all mergers in the first quarter of 2022 were small and involved at least one firm with between 5 and 20 lawyers. This matches the first quarter of 2021, when sixty-five percent of the mergers involved firms between 5 and 20 lawyers. This category includes the merger of Detroit-based Clark Hill (591 lawyers) with the Phoenix firm Ryley Carlock & Applewhite (18 lawyers), the merger of New Orleans-based Adams and Reese (238) with Tampa-based Cotney Construction Law (16), as well as the combination of two firms based in the Reading, PA, area – Barley Snyder (109) with Leisawitz Heller (14).

The largest merger of the quarter was the merger of DC-based Arent Fox (385 lawyers) and Chicago-based Schiff Hardin (210 lawyers) to create ArentFox Schiff, announced in the fourth quarter of 2021 and becoming effective March 1st. Also of note was the merger of Milwaukee-based Michael Best (260) with the Raleigh-based Forrest Firm (23). In New England, Portland-based Verrill (124) merged with Boston-based Rackemann, Sawyer & Brewster (24), and Atlanta saw the merger of Smith, Gambrell & Russell (241) with Rogers & Hardin (25).

There were no cross-border mergers involving US firms in Q1. However there has been a wave of consolidation and an increase in mergers among firms in the UK, including the recent announcement of the combination of Clyde & Co and BLM.

Three mergers have already been announced for the second quarter, all effective April 1st. These include New York-based Kramer Levin's (325) announced merger with litigation boutique Robbins, Russell, Englert, Orseck & Untereiner LLP in Washington, DC. Additionally, Smith Gambrell & Russell (241) of Atlanta has announced a combination with litigation boutique Figliulo & Silverman (11) of Chicago, expanding Smith Gambrell's footprint into Chicago. Finally, Little Rock's Rose Law Firm (30) announced a merger with seven-lawyer Smith Hurst PLC, of Rogers, AR.

For nearly two years we have observed lower levels of completed mergers than previously reported over the past decade. This trend is inconsistent with the high level of law firm leader interest in more significant growth through merger. However, the logistical challenges of negotiating and completing merger are real, particularly in a remote and high demand environment. Pursuing growth via merger offers unique opportunities for firms to build depth and scale, but also requires a significant commitment of leadership time and resources.

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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