

Survey indicates 50% firms have considered possibility of merger in recent months

Overview

Our first survey of firms in Ireland had a good response with 47 participants.

Key findings:

- 50% of firms had considered the possibility of merger or acquisition in recent months;
- most thought there was little likelihood of a merger in the coming year, however nearly a third thought this was possible;
- the main driver behind a possible merger was economic – to create a better size or structure;
- very few firms had actually achieved a merger in the last year – just 5%.

The survey, undertaken by Andrew Otterburn on behalf of the Law Consultancy Network, was based on questionnaires from 47 firms. The median firm size had 3½ partners and participants were broadly spread across the country with one third from Dublin..

Commenting on the results, Andrew Otterburn said “increasing firm size has to be on the agenda for most firms in Ireland. The average size of firm is small and as such few will be able to develop structures that better allow for work to be delegated to a lower and more cost effective level. A merger or acquisition is something that must be approached with great care, however, done well it can be an effective way to establish a better position in a market and improve the financial structure of a firm. A merger can take months to achieve and many do not actually succeed, however my view would be that most firms should at least have the possibility on their agenda.”

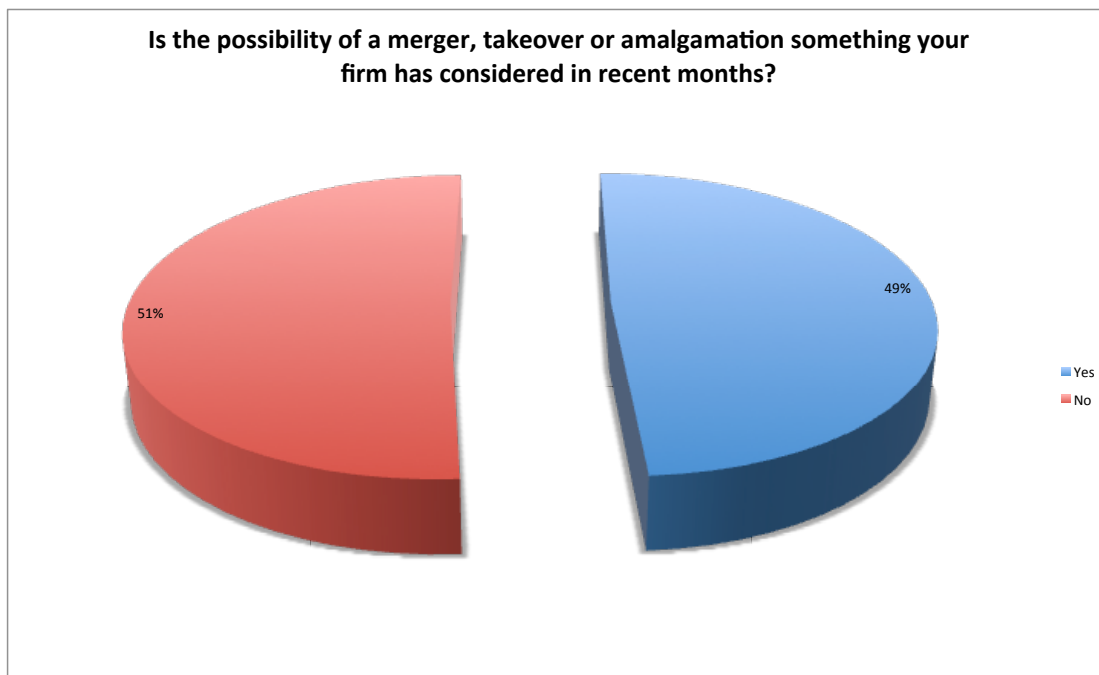
The Law Consultancy Network has been undertaking a six-monthly merger survey of firms in the UK for the last two years. The latest survey indicated that:

- 86% of firms had considered the possibility of merger in the last six months
- there had been a 25% increase in the number of approaches;
- 33% of respondents considered there was a good chance of a merger in the coming year or that one was almost definite;
- 22% of firms had actually completed a merger in the last six months.

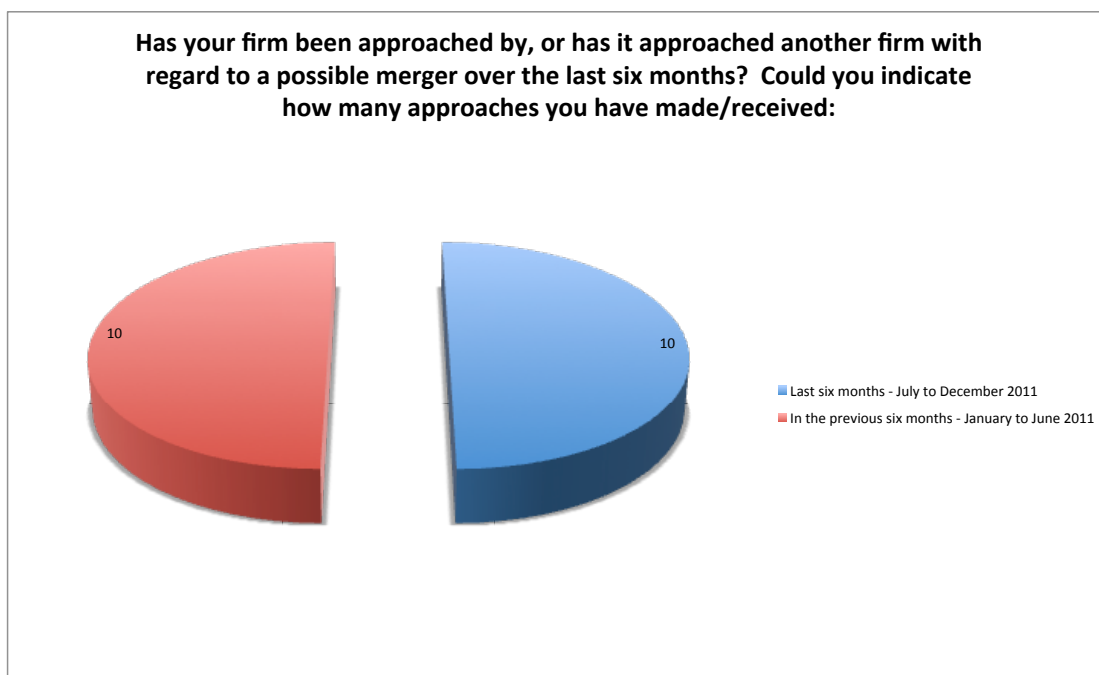
The detailed findings from the UK survey are included for information at the end of this report.

Detailed findings

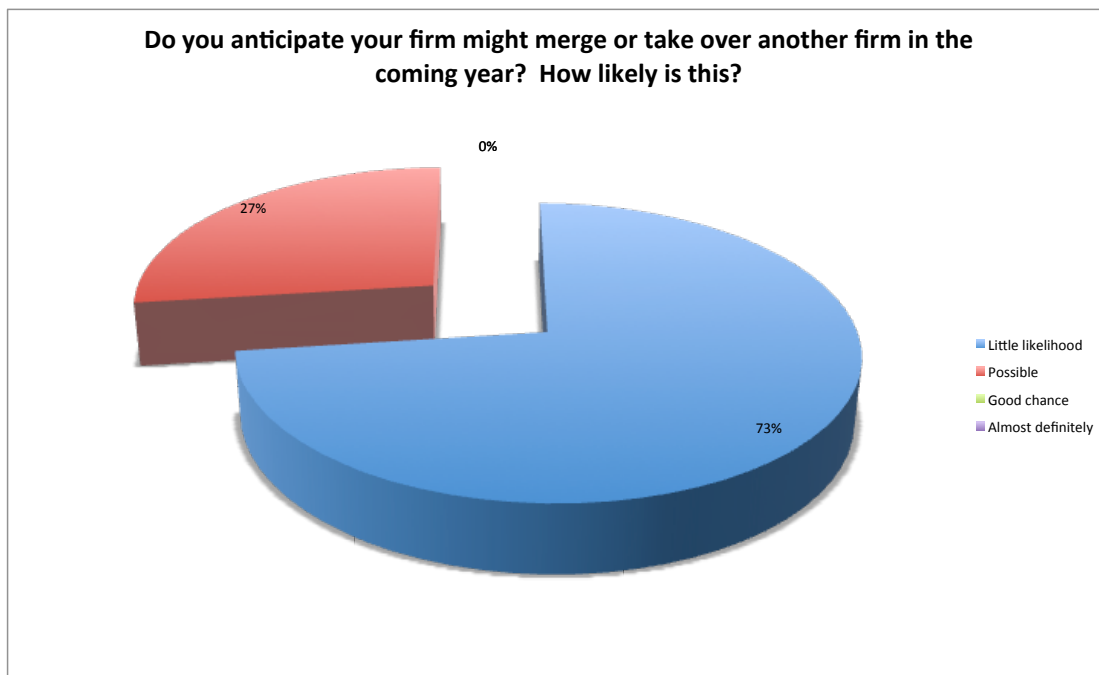
Half the respondents indicated that the possibility of a merger was something their firm had considered in recent months:



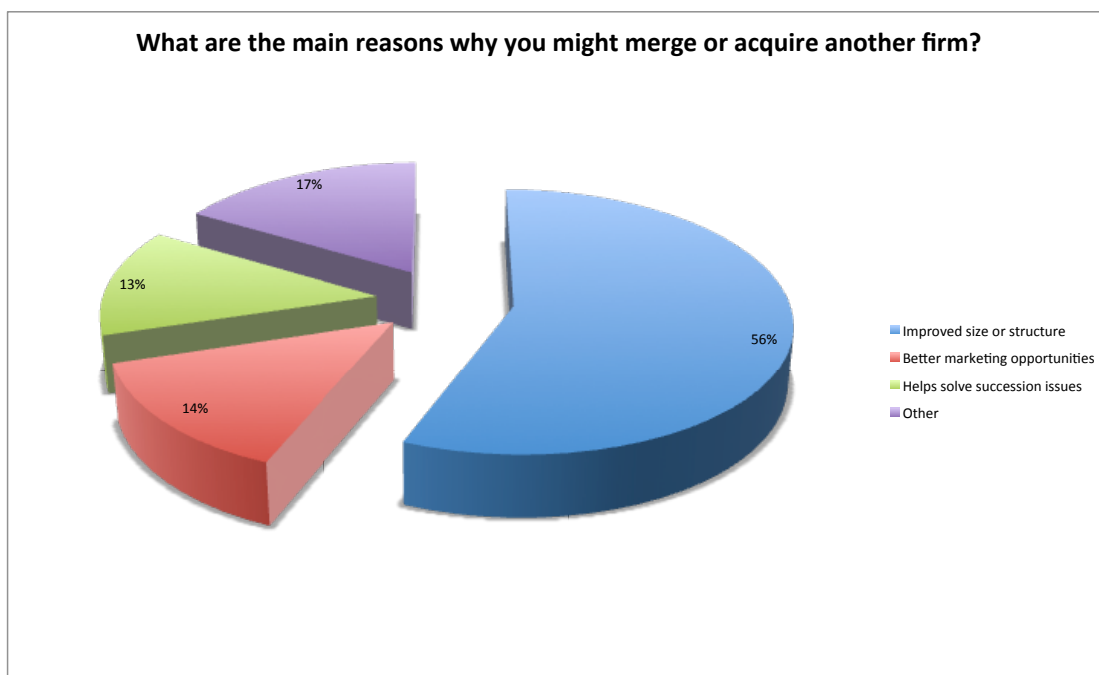
They indicated no change in activity over the last six months:



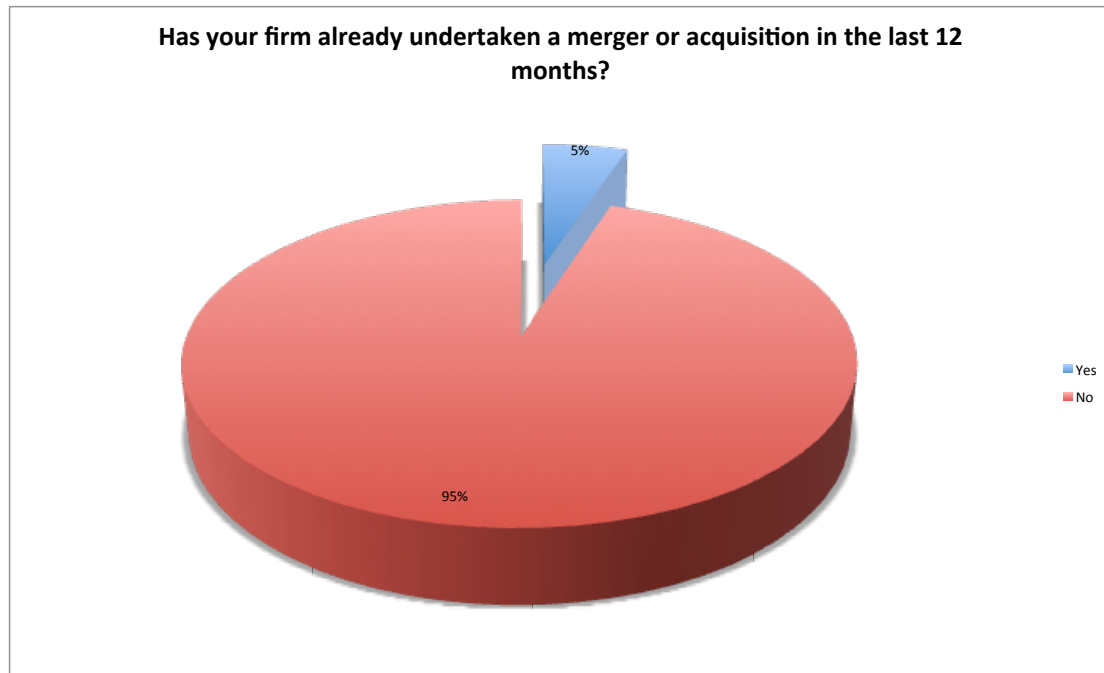
Most thought there was little likelihood of a merger during the coming year, although nearly a third thought it was possible:



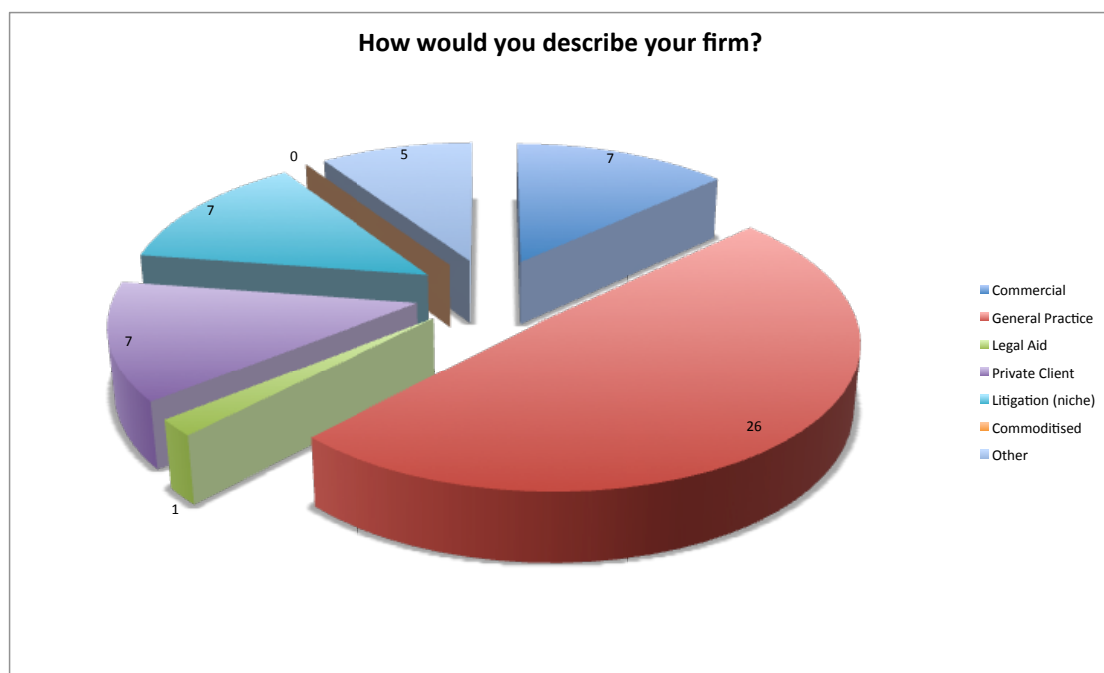
The main reason for merger was cited as improved size or structure:



Just 5% of firms had actually completed a merger in the last year:



The average size of firm was 3 ½ partners and most regarded themselves as being general practices:



The 47 participants were drawn from across the country:

	Number
Dublin	14
Galway	5
Wexford	3
Cork	2
Sligo	2
Limerick	2
Tipperary	1
Belfast	1
Meath	1
Drogheda	1
Ennis	1
Not disclosed	14

Some interesting comments were made on the current position regarding mergers:

This firm has had two mergers in the last five years which have worked very well so we would be open to another one but not at the moment.

We would have serious concerns over taking over somebody else's liability for work already done. We currently have a clean record and are anxious to maintain it that way.

Insurance is always a difficult issue with the succeeding practice rule requiring a huge amount of due diligence.

Risk is the key factor, fear of latent problems in other practices is holding back mergers.

Problems with claims and legacy leases.

Very difficult in current economic climate.

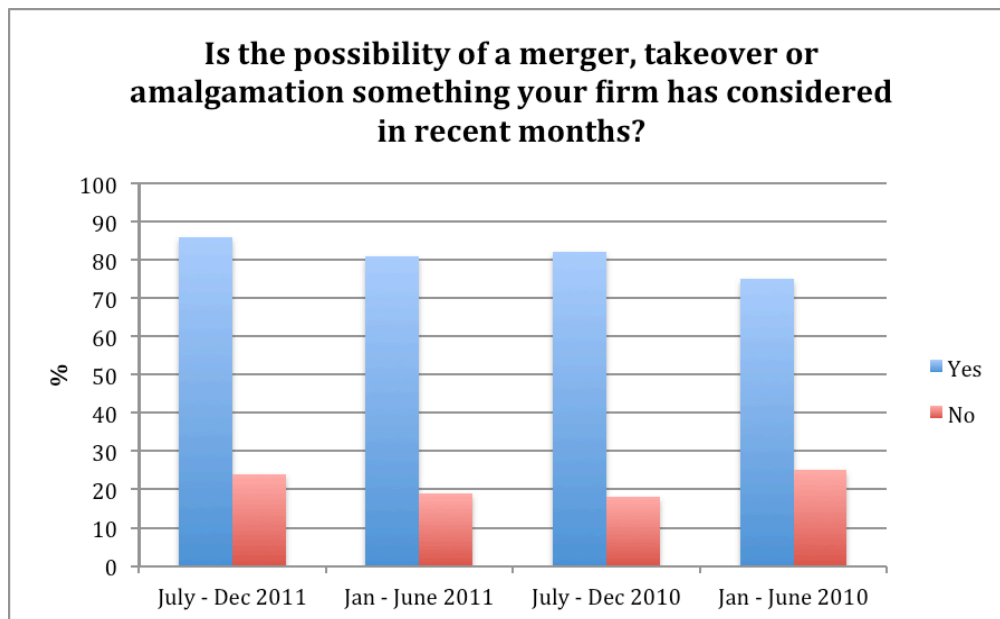
Cultural issues are in general the greatest difficulty when merging and management skills to deal with this are also generally quite weak. These criteria would be priority for assessment by us if considering a merger.

Must be careful to merge for the right reasons and not out of economic necessity.

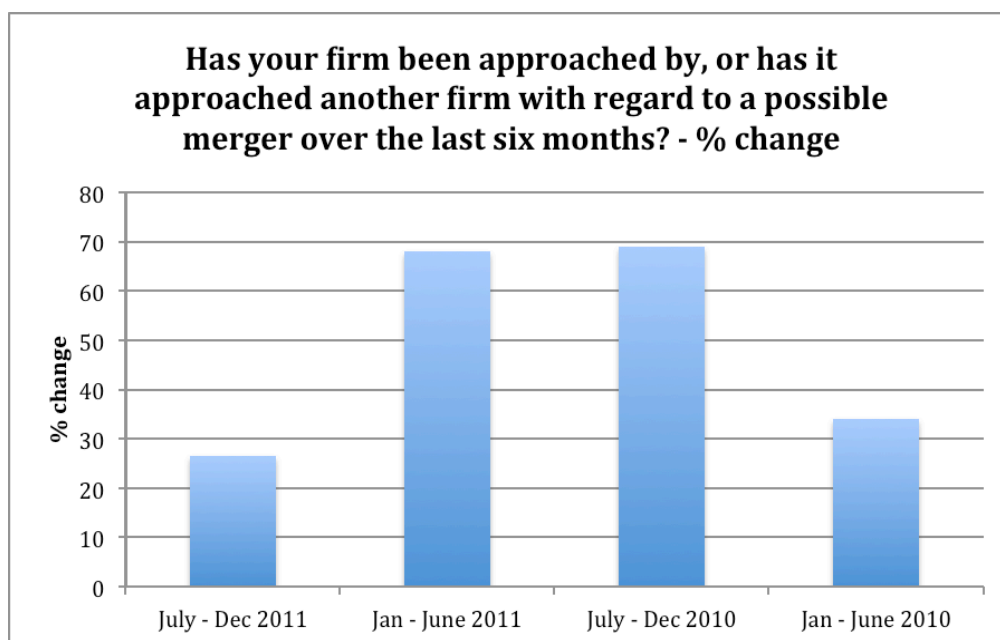
We would not consider buying a small firm due to concerns on negligence issues and concerns on client loyalty. We feel that a one-person firm where the owner is retiring has little or no value. We would only consider a merger with a bigger firm that shared our ethos and was extremely well run and had stable institutional clients.

Detailed findings – latest UK survey

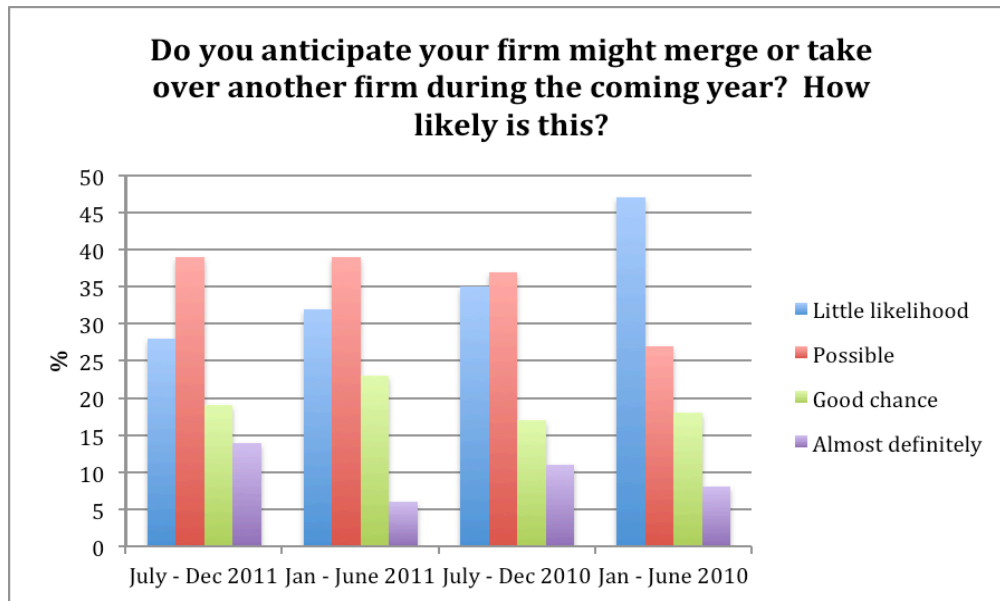
86% of respondents indicated that the possibility of a merger was something their firm had considered in recent months, compared to 81% six months ago and 75% two years ago:



They indicated a 25% increase in the number of approaches made by or to them in the last six months – a lower increase than the previous six months, but reflecting a further increase in activity:



Over the last two years there has been a steady fall in the % of respondents who thought merger unlikely – from 47% to 28%, and a corresponding increase in the % that thought it almost definite – 8% to 14%. Overall 33% of respondents thought there was a good chance of a merger over the coming year or that one was almost definite, compared to 29% six months ago and 26% two years ago.



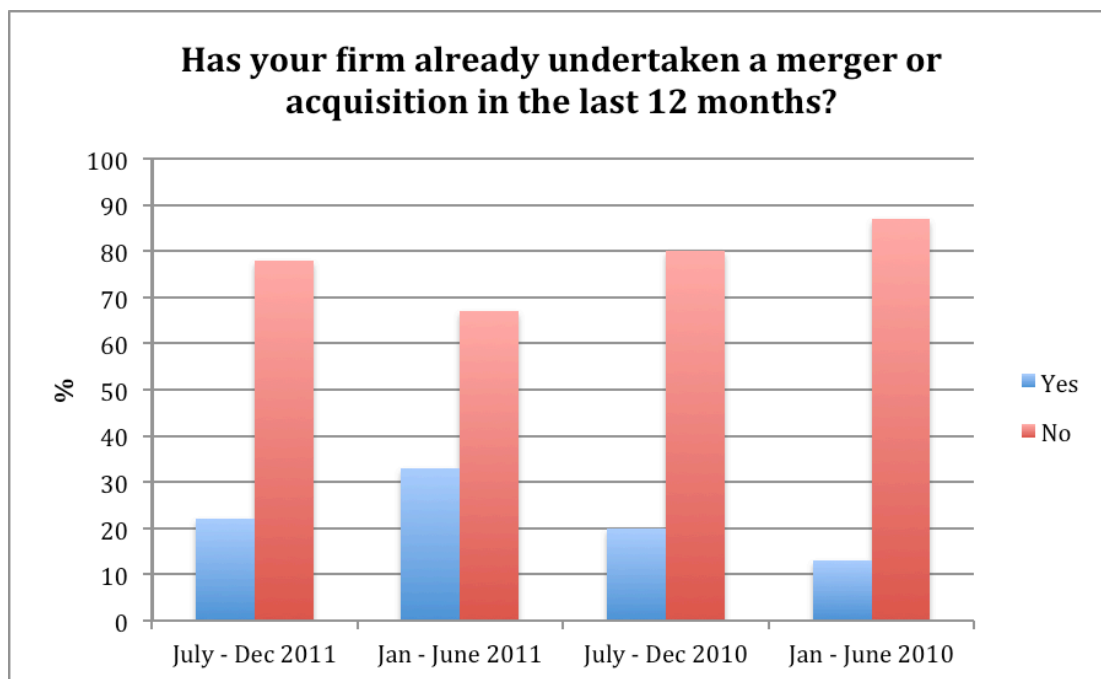
Once again firms with 10 or more partners/members thought that a merger was more likely to happen with 43% considering that there was a good or almost definite chance of a merger, compared to just 21% of those with under 10 partners.

The main reasons for a merger continue to be improved size or structure and being better prepared for the Legal Services Act:

	July – Dec 2011 %	Jan – June 2011 %
Improved size or structure	80	59
Better opportunities post LSA	52	26
Helps solve succession issues	33	15

What are the main reasons why you might merge or acquire another firm?

22% of firms had completed a merger in the last six months, down from 33% six months ago, but still up on two years ago when just 13% had done so.



The median number of partners or members was 9. A quarter of firms had under 4 partners and a quarter had more than 22 partners.