

The *Quiet* Boom.

A demographic succession cliff collided with the first wave of outside capital allowed into U.S. legal services. The result is a structurally new market.

EDITION

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COVERAGE

Tracked U.S. mergers, sub-25
attorney transitions, ABS / MSO
activity, valuations

PREPARED BY



THESIS

A structurally new era for small-firm M&A.

Tracked merger volume rose 18% to **59 completed deals** in 2025, with **76%** involving a 5–20 lawyer target — the highest small-firm share on record. Beneath the headline, the *type* of deal flow shifted: partner-to-partner succession was joined by a fast-emerging private-equity / MSO channel, anchored by Arizona's ABS regime and the arrival of **KPMG Law US**.

For marketplaces and brokerages serving the 2–25 attorney segment, the strategic implication is unambiguous: high-value deal flow is **bifurcating** between PE/MSO platform transactions at 5–10× EBITDA and a long tail of solo / small succession sales at 0.5–1.5× revenue.

2025 IN NUMBERS

Four metrics that define the year.

59 **+18%**

COMPLETED MERGERS, 2025
FAIRFAX ASSOCIATES

76%

INVOLVED A 5-20 LAWYER
TARGET
HIGHEST SMALL-FIRM SHARE ON
RECORD

136

ARIZONA ABS ENTITIES
LICENSED AS OF 30 APRIL 2025

10×

EBITDA ON PE PLATFORM DEALS
VS. 3-4× TRADITIONAL SUCCESSION

DEAL VOLUME TRAJECTORY • 2022-2026

Two flat years, then a step-change.

YEAR	COMPLETED MERGERS	YOY CHANGE	SMALL-FIRM SHARE (5-20)
2022	44	—	~59%
2023	49	+11%	69%
2024	50	+2%	69%
2025	59	+18%	76%
2026 (YTD Jan)	16	—	—

SurePoint confirms midsize-firm mergers reached **36 in 2025 vs. 17 in 2021**; acquisitions of smaller firms now constitute **86% of all mergers**, up from 45% in 2021.

UNDERNEATH THE HEADLINE

Composition changed in three ways.

- 01** **Boutique tuck-ins accelerated.**
Crowell & Moring + Faber Daeufer & Itrato (24-lawyer regulatory). Gunster + Katz Barron (Florida). Fennemore Craig + BurnsBarton (Phoenix L&E). Stevens & Lee + Brown Moskowitz & Kallen (NJ, 8 lawyers).
- 02** **PE / MSO deals emerged as a new category.**
Roughly a dozen MSO transactions closed by year-end 2025 per Holland & Knight. Disclosed: Rafi Law Group (\$125M outside investment), Uplift Investors / Orion Legal MSO, Eudia Counsel (\$105M Series A), KPMG Law US.
- 03** **Solo wind-downs continue to outnumber sales.**
Per Roy Ginsburg and ALPS Insurance, rural solos disproportionately close rather than sell — vaporizing practice value at retirement. These exits surface only in bar succession data, not in any aggregate count.

WHERE THE DEALS ARE

New York overtook California. Personal injury is ground zero.

Most active M&A states • 2025

New York	7 deals
Florida	5
California	5
Colorado	4
Texas	4
Georgia	3

Practice areas driving deals

Personal injury ~\$61.7B revenue • ~50,435 firms	PE magnet
Mass tort & consumer debt	PE active
Estate planning & trusts	Rising
Immigration (process-heavy)	Rising
Family • criminal • transactional	Long tail

PART TWO · THE DRIVERS

Five forces behind the *boom.*

Demographics, cost pressure, AI productivity gaps, broken internal succession, and client demand for scale. They reinforce each other — and they explain why 76% of 2025 mergers involved a 5–20 lawyer target.

DRIVER #1 – THE DOMINANT ONE

The Boomer succession cliff.

14%

of U.S. lawyers are **65 or older** — roughly double the rate across all U.S. workers (7%). Among AmLaw 200 partners, **36% were at or near 65** as of 2022 (Ida Abbott).

1.32^M

ACTIVE U.S. LAWYERS
ABA, JAN 2024

< 1/3

HAVE A SUCCESSION PLAN
CLEARLY ACQUIRED / FPA

48%

WANT TO EXIT WITHIN 3 YEARS
CORNERSTONE 2025, \$5M-\$100M

DRIVER #2

Expenses grew 5× faster than demand.

H1 2025 MOVEMENT (CITI HILDEBRANDT)

	GROWTH	DIRECTION
Demand	+1.9%	flat
Revenue (almost all from rate)	+11.3%	up
Talent costs	+8.2%	pressure
Overhead ex-comp	+8.6%	pressure
Total expenses	+9.5%	pressure
Technology spend	+9.7%	pressure

BigLaw first-year salaries hit **\$225K+** on the Cravath scale. Mid-market firms can't match the rate elasticity.

DRIVER #3

AI is forcing a scale decision.

REVENUE GREW WITH AI
CLIO 2025 DATA

33%

Solo / small firms

60%

Enterprise firms

Enterprise legal AI — Harvey at ~\$1,500/attorney/month, CoCounsel at ~\$225 — is now standard across BigLaw and mid-sized firms.

"A key driver of consolidation at the lower end of the market." — Saffery 2024 UK Legal M&A Report (directly applicable to U.S. per Thomson Reuters).

79% of solo/small firms use some AI tool — but **86% haven't adjusted pricing** to capture the productivity. The gap widens daily.



M&A has replaced internal succession as the *default* liquidity event for senior partners.

60%

of associates feel their firm isn't trying to retain them

15%

plan to stay three or more years (MLA survey)

80%

attrition by year 5 at AmLaw 200 firms (NALP)

PART THREE · VALUATIONS

The PE buyer pays a **2-3x** premium.

A \$5M-EBITDA personal-injury firm draws ~\$15M at a traditional 3x multiple — and **\$35–50M** at PE platform pricing. The uplift is driven less by DCF math than by case-inventory underwriting and roll-up exit economics.

BUYER CATEGORY IS THE SINGLE BIGGEST VARIABLE

Multiples at a glance.

METRIC	TRADITIONAL SALE	PE / MSO PLATFORM
Revenue multiple	0.5x – 1.5x	n/a • EBITDA-driven
Seller's discretionary earnings (SDE)	2.5x – 4x	n/a
EBITDA multiple	3.0x – 4.34x	5x – 10x+
PI firms — small	n/a	3x – 5x normalized
PI firms — large & branded	n/a	7x – 10x
Platform / anchor MSO deals	n/a	10x+

PE buyers normalize owner comp to a market \$500K–\$1M managing-partner salary and reward GAAP-accrual books. **Cash-basis books lose 1–2 turns of EBITDA automatically.**

TRANSFERABILITY SETS THE CEILING

Multiples by practice area.

PRACTICE AREA	REVENUE ×	EBITDA ×	TRANSFERABILITY
Personal injury (contingency)	EBITDA + inventory	3–10×+	Net case inventory ≈ 25–35% of projected gross fees
Estate planning / trusts	0.75× – 1.2×	3× – 5×	Most predictable book — update work, probate
Immigration (corporate)	0.75× – 1.25×	3× – 5×	Corporate channels transfer well
Business / transactional	0.75× – 1.25×	3× – 5×	CPA / banker referral pipeline depth
IP (patent prosecution)	0.8× – 1.5×	3× – 6×	Renewal docket creates predictable revenue
Collections / subrogation	1.0× – 1.5×	4× – 6×	Rare — revenue multiples actually apply
Family law	0.3× – 0.5×	1.5× – 2.5×	Episodic, near-zero retention
Criminal defense	0.2× – 0.5×	1× – 2×	"Nearly impossible to sell as ongoing concern"

HOW SMALL-FIRM DEALS ACTUALLY CLOSE

Earnouts, of-counsel and seller financing.

01 • Earnouts

15–50% of consideration, contingent.

In non-PE deals, often **50%+** **contingent** in solo and small deals without recurring revenue. Almost always paid as a percentage of collections (20–33%) over 1–3 years.

02 • Seller financing

30–60% at 6–9% over 3–7 years.

Well within the AFR floor under IRC §1274. Rule 1.17 explicitly permits installment payment, including to the estate of a deceased lawyer.

03 • Of-counsel transition

6–24 months for client retention.

Solo Practice University data shows structured handoffs yield **~30% better retention**. Rule 1.17 requires the seller to cease the sold practice — "of counsel" employment by buyer is permitted.

PE deals layer on: 10–30% equity rolls into the MSO, three-to-five-year management agreements, and a "second-bite" expectation at platform exit — the structure that drives high entry multiples.

PART FOUR · ABS & MSOS

Outside capital, finally *inside.*

Arizona is now the only permanent ABS jurisdiction in the U.S. — and the channel for the year's largest deals. Outside Arizona, the **MSO playbook** has become the default vehicle for sponsor capital.

ARIZONA – ACJA §7-209 • PERMANENT • NO SUNSET

From 10 to 136 in four years.

AS OF	APPROVED ABS ENTITIES
End of 2021	~10
End of 2022	19
End of 2023	~63
September 10, 2024 (milestone)	100
December 31, 2024	114
April 30, 2025	136
late 2025	+55 pending

51 new licenses in 2024 — more than double 2023's 22. Of newly licensed 2024 ABSs with disclosed ownership, **59% were wholly owned by non-lawyers** (Stanford Rhode Center).

Stanford's June 2025 review of five years of operations found **only two disciplinary actions**, both with firms cooperating and remediating.

FEBRUARY 27, 2025 · ADMINISTRATIVE ORDER 2025-43

KPMG Law US — the first Big Four firm *licensed* to practice law in the United States.

OPERATING MODEL

Independently managed subsidiary of KPMG LLP — strategically aligned with the Tax practice.

GUARDRAILS

Strict prohibition on serving any KPMG audit client; semi-annual compliance audits.

OUTSIDE ARIZONA

Operates via co-counsel and staffing arrangements. Deloitte, EY, PwC are watching.

THE DEFAULT VEHICLE OUTSIDE ARIZONA

The MSO model.

LEGAL PRACTICE ENTITY**Lawyer-owned.**

Receives legal fees. Retains all professional judgment. Holds the bar license.

MANAGEMENT SERVICES ORGANIZATION**Sponsor-owned.**

Provides HR, IT, marketing, accounting, real estate, technology, finance — paid via flat fee or cost-plus.

The compliance line is sharp. Revenue-tied MSO fees are fee-splitting (Texas Op. 706; NC Formal Op. 2; NYSBA Op. 1271 / 1289). MSO fees must be **flat monthly, cost-plus, or itemized**. Lawyers may hold equity in the MSO — never in the legal practice (outside ABS jurisdictions).

2025 REFORM LANDSCAPE

Three states open. Four pushing back.

OPENING

Arizona

Permanent ABS · 136 entities

D.C.

Limited non-lawyer ownership since 1991

Puerto Rico

Up to 49% non-lawyer ownership (June 2025)

Utah (sunset 2027)

Sandbox contracted 39 → 11 entities

RESTRICTING

California

AB 931 — restricts cross-border ABS fee-sharing

Texas

Op. 706 — MSO equity OK, revenue-tied fees not

Florida

Reaffirmed restrictions in 2022; tightened 4-8.6

Illinois

Community Justice Workers in lieu of ABS

PART FIVE · MAJOR PLAYERS

PE sponsors, now *named*.

A defining feature of 2025 was the visible identification of specific PE sponsors and litigation funders behind ABS firms — historically opaque, now disclosed through court filings, Bloomberg Law investigations, and press releases.

DISCLOSED PLATFORMS, SPONSORS, AND STRUCTURES • 2025

The capital behind the deals.

PLATFORM	PRACTICE AREA	SPONSOR / CAPITAL PROVIDER	STRUCTURE	STATUS
Orion Legal / Dudley DeBosier	PI	Uplift Investors (ex-Gridiron principals)	MSO	Jan 2026
Rafi Law Group	PI	Undisclosed PE · \$125M · KBW / Stifel	MSO + AZ ABS	Nov 2025
Esquire Law	PI / auto	Fortress (CF ESQ Holdco, 20%)	AZ ABS	Existing
KPMG Law US	Tax / M&A	KPMG LLP	AZ ABS	Feb 2025
Eudia Counsel	In-house support	General Catalyst · \$105M Series A	AZ ABS	Sept 2025
Aprio Legal / Radix Law	Tax-adjacent	Charlesbank (via Aprio)	AZ ABS	Feb 2025
Justpoint Law	AI-native mass tort	Justpoint Inc.	AZ ABS	Feb 2026
Rimon PC / NovaLaw	Business law	Alpine Investors	MSO	Since 2021
Copper State Legal	Tort / IP / bankruptcy	Benefit Street Partners (Franklin Templeton)	AZ ABS	Active

PART SIX · OUTLOOK 2026-2027

What *compounds* from here.

Three patterns will define the next two years: deal volume keeps compounding, AI bifurcates valuations into winners and casualties, and reform geography moves via MSO — not via additional ABS regimes.

THE SHAPE OF THE NEXT 24 MONTHS

Volume compounds. Valuations bifurcate.

15-
25%

ANNUAL DEAL GROWTH
U.S. SMALL/MID M&A, 2026-2027

80%+

SMALL-FIRM SHARE OF
MERGERS
BY END OF 2026

15-
30%

MULTIPLE COMPRESSION
COMMODITY PRACTICE AREAS

10-
25%

MULTIPLE EXPANSION
SPECIALTY / COMPLEX PRACTICE
AREAS

PI / mass tort / volume contingency will see **strong multiple expansion** as AI cuts cost while contingency fees remain intact. By 2027, top-quartile firms will capture premium multiples; the rest will see fewer buyers and discounted exits.

FOR AN LPE-CLASS MARKETPLACE

Four strategic conclusions.

01 · Channel

Double down on the PE / MSO advisory pivot.

The economics — large transactions, multi-stakeholder advisory revenue, recurring sponsor relationships — exceed traditional lawyer-to-lawyer brokerage at any plausible scale.

03 · Threat

Lock in distribution before software does.

Clio, Smokeball, MyCase, TR/LexisNexis could power a marketplace 10× more efficiently. Formalize referral, content syndication, and embedded valuation widgets **now**.

02 · Segment

Choose: self-serve product or re-segment.

Bifurcating valuations create a portfolio problem. Sub-\$500K listings yield \$5K success fees that may not cover acquisition cost. The current hybrid risks doing both poorly.

04 · Authority

Own the regulatory map.

The MSO playbook is jurisdictionally complex. A continuously updated 50-state MSO / ABS map defends the educational top-of-funnel and pulls deal flow inbound.

”

M&A is no longer the
alternative to internal
succession.
It is the *replacement* for it.

WHY 2025 IS A WATERSHED – NOT A CYCLICAL MERGER UPTICK

THANK YOU. • 2025 ANNUAL REPORT

The work begins *here.*

For listings, advisory engagements, and the continuously -updated 50 -state ABS / MSO map
— Law Practice Exchange is the marketplace for buying and selling law firms.

MEMBERSHIP

By application

LISTINGS

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