

Consolidating the Fragmented Legal Industry



AGENDA

- Review of the current legal environment
- The MSO/PE Model
- The Partnership Roll-up Model
- Discussion
- Appendix

STATE OF THE INDUSTRY: Large and Fragmented

- The legal industry is large:
 - \$380B in annual revenue
 - 425,000 law firms
 - Over 1M employees

- The legal industry is fragmented

Firm Size (Number of Attorneys) | Approx. % of All U.S. Law Firms |

Firm Size (Number of Attorneys)	Approx. % of All U.S. Law Firms
Solo (1 attorney)	~40%
Small (2–5 attorneys)	~35%
Small (6–10 attorneys)	~15%
Midsize (11–100 attorneys)	~5–12%
Large (100+ attorneys)	~<1%
Mega (1,000+ attorneys)	~0.01%

REGULATORY LIMITATIONS

- American Bar Association (ABA) Model Rule 5.4: a lawyer or law firm shall not share legal fees with a non-lawyer, nor form a partnership with a non-lawyer if the partnership involves the practice of law; a non-lawyer may not own any interest in a profit law firm, etc.
- A small number of U.S. jurisdictions have adopted “Alternative Business Structure” (ABS)
 - Arizona (ABS program)
 - Utah (sandbox)
 - District of Columbia (partial concession).
- Rules generally prohibit funding arrangements that are contingent on legal-fees or outcomes when non-lawyers have a share of those fees.

VALUE CREATION LEVERS

Opportunities exist to create operational leverage, improve margins and position law firms for scalable growth:

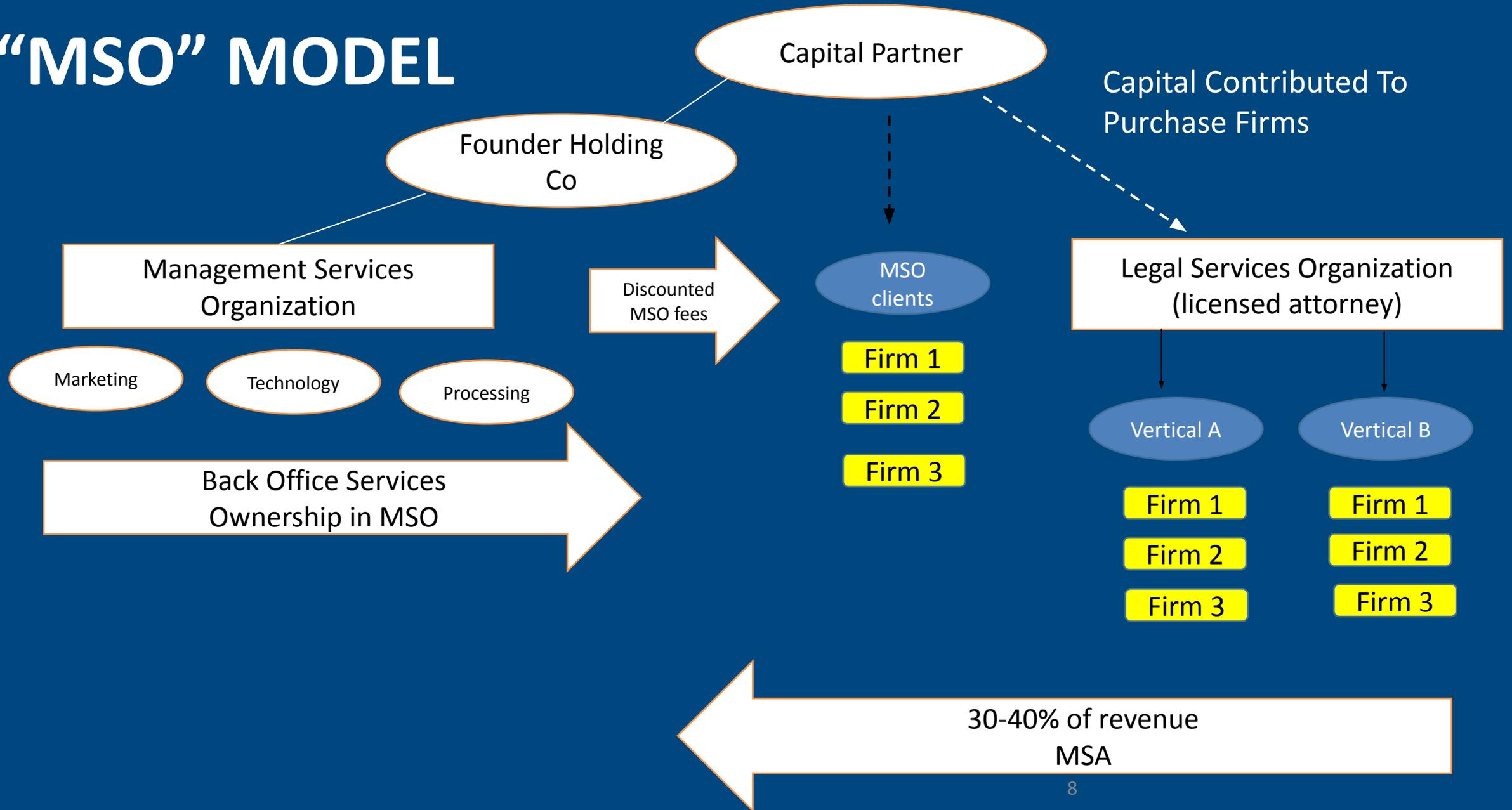
- Operations and technology
- Sales and marketing
- Retention and Hiring
- Client intake
- Access to capital
- Branding and positioning
- Compliance and governance

Private Capital Has Already Entered the Legal Industry

- eDiscovery
- Litigation Support
- Legal Process Outsourcing
- Litigation Consulting
- Specialty/Alternative Legal
- Law-Firm-Related Platforms

A PE BASED STRATEGY

“DUAL ENTITY” OR “MSO” MODEL



ECONOMIC BENEFITS

- Lower consolidated expenses
 - Economies of scale
 - Best practices
- Higher revenue
- Multiple arbitrage

ROLES OF THE LAW FIRM AND MSO

Role of Law Firm	Role of MSA
<ul style="list-style-type: none">· Independently owned by licensed attorneys in its state.· Handles all legal work and client relationships.· Follows that state's bar rules.	<ul style="list-style-type: none">• Branding / Marketing• Shared Tech Platform• HR, Payroll, Finance• CRM / Call Center Ops• Compliance Systems• IT & software• lease real estate

THE EVOLUTION OF CONSOLIDATION

Stage	Medicine	Accounting	Law
1990s	Early roll-ups begin	PE starts in consulting	—
2000s	MSO model validated	Big 4 spin off advisory arms	—
2010s	PE mainstream	TowerBrook–EisnerAmper opens door	ALSPs like Axiom grow
2020s	Highly consolidated	Advisory roll-ups accelerate	Early MSO deals (Burford, Arizona ABS)
2030s (expected)	Mature	Mature	Emerging ABS-based consolidation

- Medicine: Now a mature PE segment; thousands of roll-ups in dermatology, orthopedics, dental, etc.
- Accounting: Emerging consolidation by PE firms (e.g., TowerBrook–EisnerAmper, Lightyear–Schechter), becoming commonplace.
- Legal: early stages.

WHY PE IS INTERESTED IN LAW FIRMS?

- Large, highly fragmented industry
- Strong, stable, acyclical underlying demand drivers
- Mission-critical services with high cost of failure and inelastic demand/pricing
- Significant opportunities to professionalize existing business practices
- Early innings of technology and data adoption/implementation (AI)

What Types of Firms PE is Looking For

Immigration Law

Estate Planning

Consumer Bankruptcy

Traffic / Minor Offenses

Debt & Consumer Protection

Why?

- Flat-fee billing is common
- Workflows can be templated
- Minimal case-specific strategy needed
- Limited reliance on attorney-client relationship – consumer based law

A NON-PE BASED ROLL-UP STRATEGY

OVERVIEW

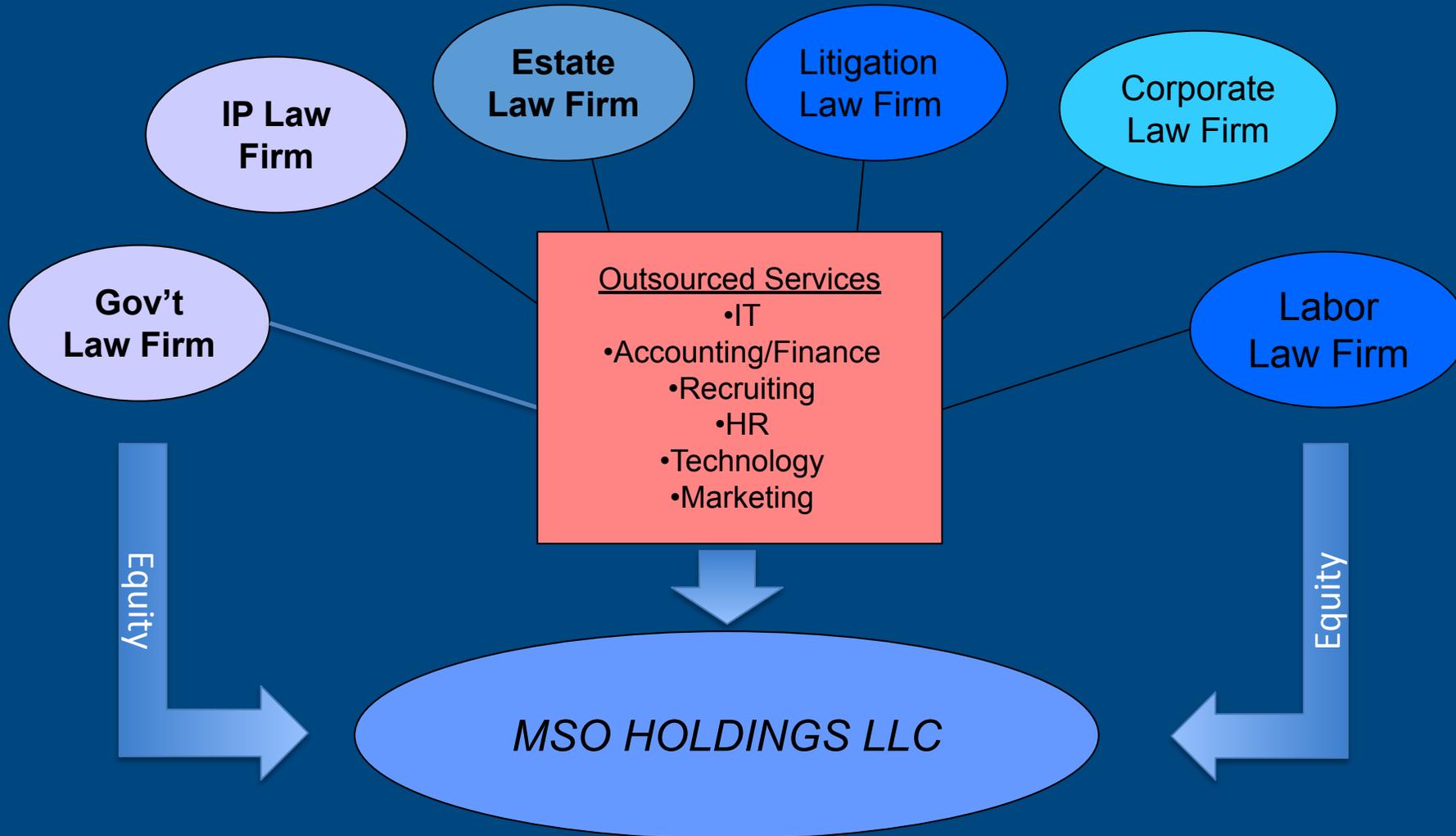
MSO Roll-up

- Outsource infrastructure services to the MSO LLC
- Receive an equity interest in the MSO
- Build MSO value through combining infrastructure services with other small/medium sized law firms
- Partners remain independent and focus energies on the practice of law
- Liquidity options become available through the MSO

A unique and timely strategy

- PE is entering the legal space
- Strong economy in 2026
- Goal: maximize value of the MSO which will drive value for the law firm

MSO STRUCTURE



PHASES IN AN MSO ROLL-UP

- Phase I: Establish MSO, build a team of service providers
 - In process
- Phase II: Find a platform company, refine the model
- Phase III: Additional law firms-drive efficiencies/cost savings
- Phase IV: Liquidity-PE buys the MSO and law firms have a liquidity event

KEY BENEFITS-MSO ROLL-UP

- No initial capital requirements
- Continued independence and 100% ownership
- Economic benefits accrue through consolidation of services at the MSO, benchmarking, best practices
- Establish MSO profitability and operational excellence
- Growth in value of MSO is retained by independent law firms
- Competitive positioning is improved
- Enhanced liquidity options become available to all MSO owners
- PE is brought in only after the MSO reaches critical mass

Key Takeaways

- PE is coming to the legal space
- A way to provide an influx of capital for growth
- Reduced costs thru consolidation
- Liquidity strategies exist for law firms
- Others

TOPICS FOR DISCUSSION

- Within the professional services industries, why has private capital come to the legal profession last?
- At what stage of any attorney's/firm's life cycle does this make sense? Newly launched? Fully operational and growing? Winding down?
- What do law firms need capital for? How do they currently access it?
- How attractive is participating in some type of consolidation to those on this call? How inevitable is it?



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THANK YOU!

APPENDIX

Private Equity & Medical Practices (Corporate Practice of Medicine)

1. Audax Group – Gastro Health (2016–present)

- Structure: Audax owns the MSO, Gastro Health, LLC.
- Details: Physicians retain ownership of the professional corporations; the MSO provides non-clinical support (billing, HR, marketing).
- Compliance: Aligns with CPOM laws — non-physicians do not control medical judgment.
- Scale: Over 140 locations across multiple states.

2. Warburg Pincus – Summit Health (CityMD merger, 2017–2022)

- Structure: MSO model.
- Details: PE-backed roll-up combining urgent care and primary care practices; later sold to Walgreens Boots Alliance for \$8.9B.
- Compliance: Physician-owned PCs deliver care; PE entity manages operations.

3. TA Associates – Heartland Dental (2012–2018)

- Structure: Dental Service Organization (DSO).
- Details: PE-backed support platform; dentists retain clinical control.
- Outcome: Sold to KKR for estimated \$2B valuation.

Medicine is the most mature professional sector for PE investment.

The Friendly PC + MSO structure has been validated across states, enabling thousands of PE-backed healthcare roll-ups while maintaining clinical independence.

Private Equity & Accounting Firms

1. TowerBrook Capital Partners – EisnerAmper (2021)

- Structure: Alternative Practice Structure (APS) — split into:
 - Eisner Advisory Group LLC (PE-owned, non-attest business)
 - EisnerAmper LLP (CPA-owned, attest services)
- Compliance: The CPA firm remains majority-CPA-owned to meet state board requirements; TowerBrook owns the advisory side.
- Significance: First major U.S. PE investment in a top-20 CPA firm.

2. Lightyear Capital – Schechter Wealth (2022)

- Structure: Minority investment.
- Details: Multi-disciplinary financial advisory firm with CPA and wealth management divisions.
- Compliance: Non-CPA ownership permitted under hybrid model in certain states.

3. Cognita Partners – Baker Tilly (rumored 2024 partnership)

- Structure: Strategic alliance under APS.
- Details: Exploring non-attest service separation to allow PE participation.
- Compliance: CPA firm maintains majority control of audit functions.

Accounting firms have pioneered the dual-entity model, separating attest (regulated) and advisory (unregulated) work. This allows PE to fund and scale the advisory business without breaching independence rules.

LAW FIRM VALUATION

The value of a law firm is not just a fixed “multiple” — it depends on many factors. Key drivers include:

- Earnings or cash flow – How much profit (or owner’s discretionary earnings) the firm generates after adjusting for owner compensation, non-recurring items, etc. Law Firm Tech Tips+2 Peak Business Valuation+2
- Revenue, growth and repeatability – A firm with strong, recurring client relationships and stable revenue will command a higher multiple. Clio+1
- Dependence on the owner – If much of the business is because of one lawyer and will disappear if that person leaves, the multiple will be lower. Law Firm Tech Tips+1
- Market niche, practice area, geography – Specialized practices (e.g., corporate, IP, complex litigation) often are viewed more favorably than very general practices. Clio+1
- Quality of financials, operations, systems – Clean books, documented operations, good staff/partners and scalable infrastructure improve perceived value. LeanLaw - Legal Billing Made Easy+1
- Transferability of client base – If clients stay regardless of who is doing the work (i.e., institutionally rather than personally tied to a lawyer), value is higher. Olmstead and Associates

LAW FIRM MULTIPLE BENCHMARKS

- One source reports for U.S. law firms: Seller's Discretionary Earnings (SDE) multiples of about 2.44× to 2.84×. Peak Business Valuation
- Earnings (SDE) multiples of 2.5× to 4× are cited for many law firm sales. Law Firm Tech Tips+1
- A revenue-based rule of thumb: Annual gross revenue × about 0.5× to 3× (depending heavily on firm characteristics). Clio+1
- In data from business brokers (legal services businesses) the earnings multiple range is about 1.3× to 2.3× owner's earnings, and revenue multiples around 0.5× to 0.8× revenue in many cases. BizBuySell
- Another source suggests that firms with very clean, scalable systems might command EBITDA multiples of 5×–6× (versus average 3.75×–4.34×) and revenue multiples in the ~0.87×–1.21× range. LeanLaw - Legal Billing Made Easy
- For larger firms in stable/mixed work areas (UK context) multiples of 2×–4× profits are common; with private equity or listed firms possibly in 5×–8× range. Armstrong Watson

Valuation Sources:

https://thelawpracticeexchange.com/valuation-of-law-firm/?utm_source=google&utm_medium=cpc&utm_campaign=&campaignid=22374219825&adgroupid=182728008688&creative=742009016137&matchtype=p&network=g&device=c&keyword=sell%20my%20law%20firm&gad_source=1&gad_campaignid=22374219825&gbraid=0AAAAA-MyhQcJZR4Rfhh35UOgUdCk_kNre&gclid=CjwKCAiAw9vIBhBBEiwAraSATH9a-KN-5f9QfT4qplai86LJ_VGkwN71wLJ6v1D4bm_VkR1nkLMbWxoCDNwQAvD_BwE

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ARTICLES AND REPORTS

[Private Capital in Law Firms: Strategic Entry via ABS Structures](#)

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