Law Firms' Survey 2024

Innovate, adapt, protect

A blueprint for sustained growth

Key definitions

Global Top 10 – Top 10 (by global revenue) UK headquartered firms where international revenue exceeds 20% of total revenue.

Global Top 11-25 – Top 11-25 (by global revenue) UK headquartered firms where international revenue exceeds 20% of total revenue.

UK – Operations of all UK offices only.

International – Operations of all international offices only.

Key information

The survey results are presented by size of firm using the bandings Top 10, Top 11-25, Top 26-50 and Top 51-100, except where otherwise stated (analysis for these bandings of firms has been adjusted to exclude high volume firms where their impact is considered significant). The classification is by annual global fee income.

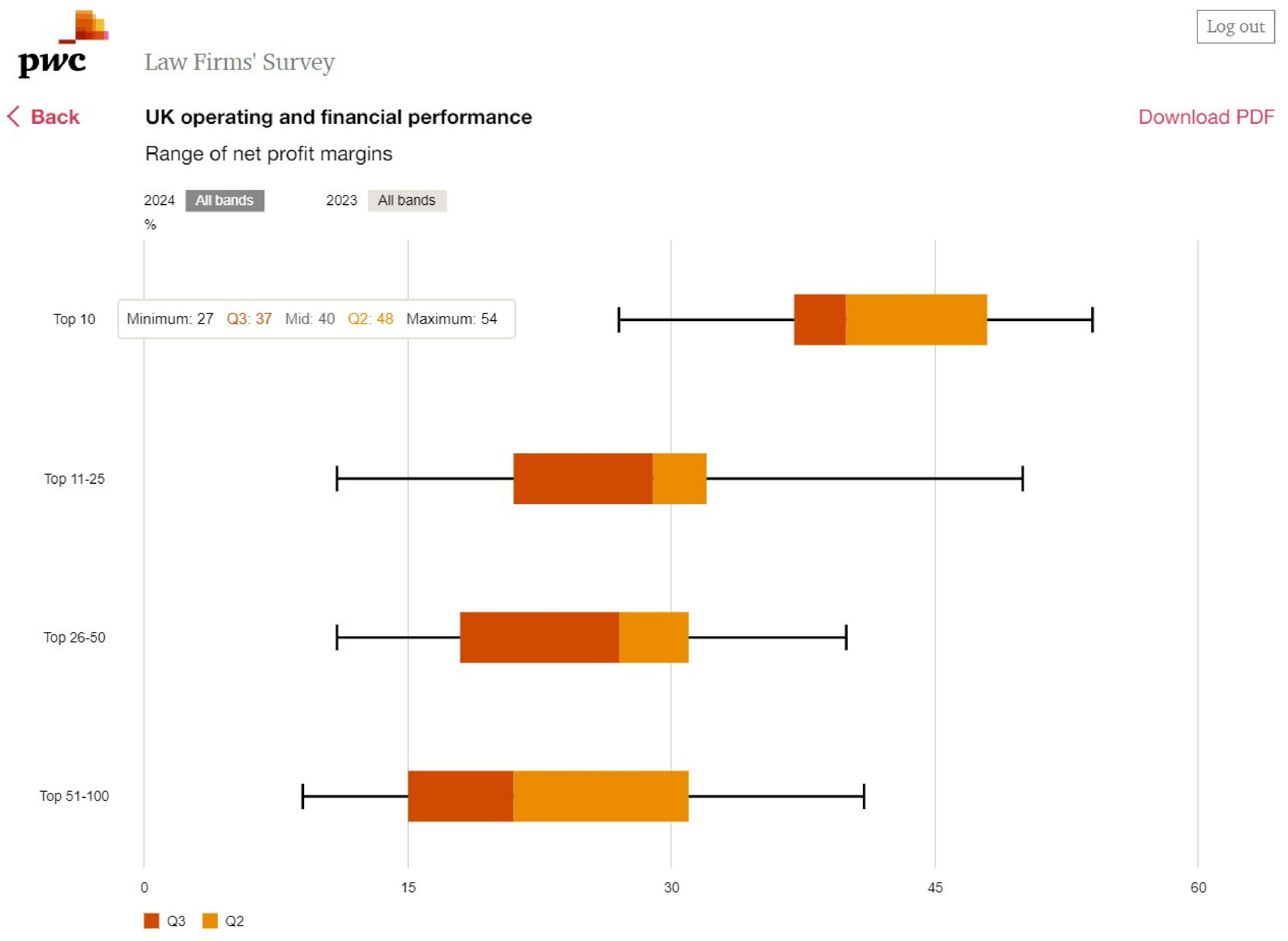
Our report is based on survey responses from firms at consistent response rates to prior years. This summary document focuses on the key findings from our survey.

Our thanks are due, as always, to the firms which participated in this survey. We appreciate that the questionnaire takes considerable time to complete. All of the responses are processed in full and we have a significant amount of data that isn't fully reproduced here. If you'd like further information on the responses to any of the questions, please contact one of our editorial team.

Point of note on restated figures

Due to a change in mix of firms participating in our Law Firms' Survey this year, restatements have been made to certain 2023 data points to aid comparability where appropriate.

In addition to the information presented in this report, all participating firms have access to an interactive online benchmarking tool that holds a vast amount of data from our survey. This tool also benchmarks the individual firms' results against their associated peer group banding. Please contact a member of our Law Firms' Advisory Group for a demonstration of our online benchmarking tool and to see how you can compare the results of your firm to that of your peers.



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Overview and key themes

Overview

Following a successful few years of delivering growth against a challenging economic backdrop and global market volatility, law firms entered FY24 with relative optimism. Financial performance has been overwhelmingly positive, with robust results across a number of KPIs.

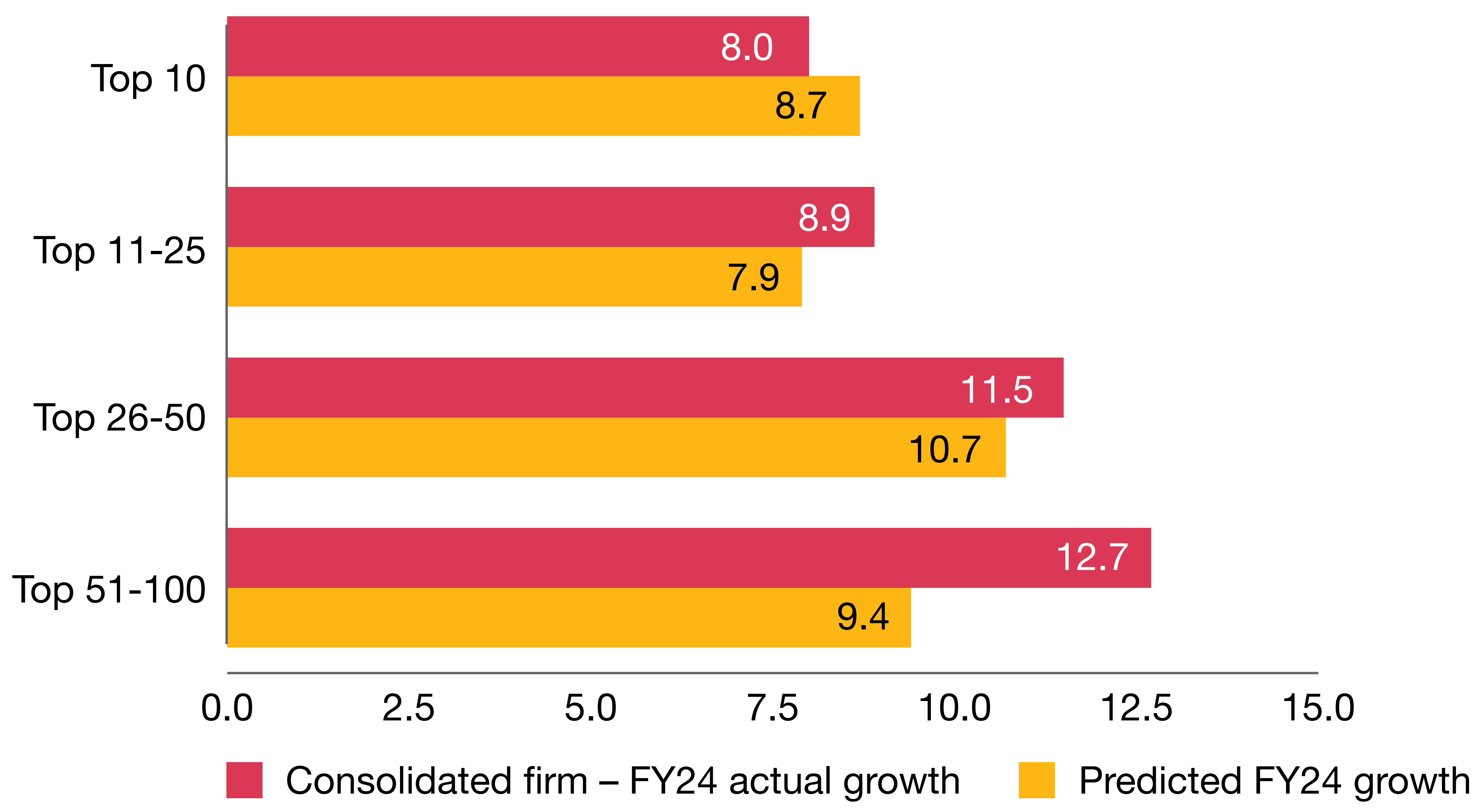
Global and UK fee income growth exceeded expectations set a year ago. This was driven by increased lawyer headcount and a push on chargeable hours across the Top 100, coupled with a positive upward movement on rates that defied the trend of the wider professional services market.

With average inflation running at approximately 5% across the year, it is impressive that **just over half of Top 50 firms posted double digit fee income growth.**

It is clear that a number of firms have taken measures to control costs this year, including staff costs in larger firms, and this has had a positive impact upon profitability. **Of the Top 100, 81% reported increases in profit compared to 56% last year.**

Cash performance was less successful, with many firms seeing total lock up deteriorate over the course of the year and little progress made in addressing poor working capital practices.

FY24 fee income movements (%): expected vs actual



Percentage point difference to expectation:

Top 10:
-0.7pp

Top 11-25:
+1.0pp

Top 26-50:
+0.8pp

Top 51-100:
+3.3pp

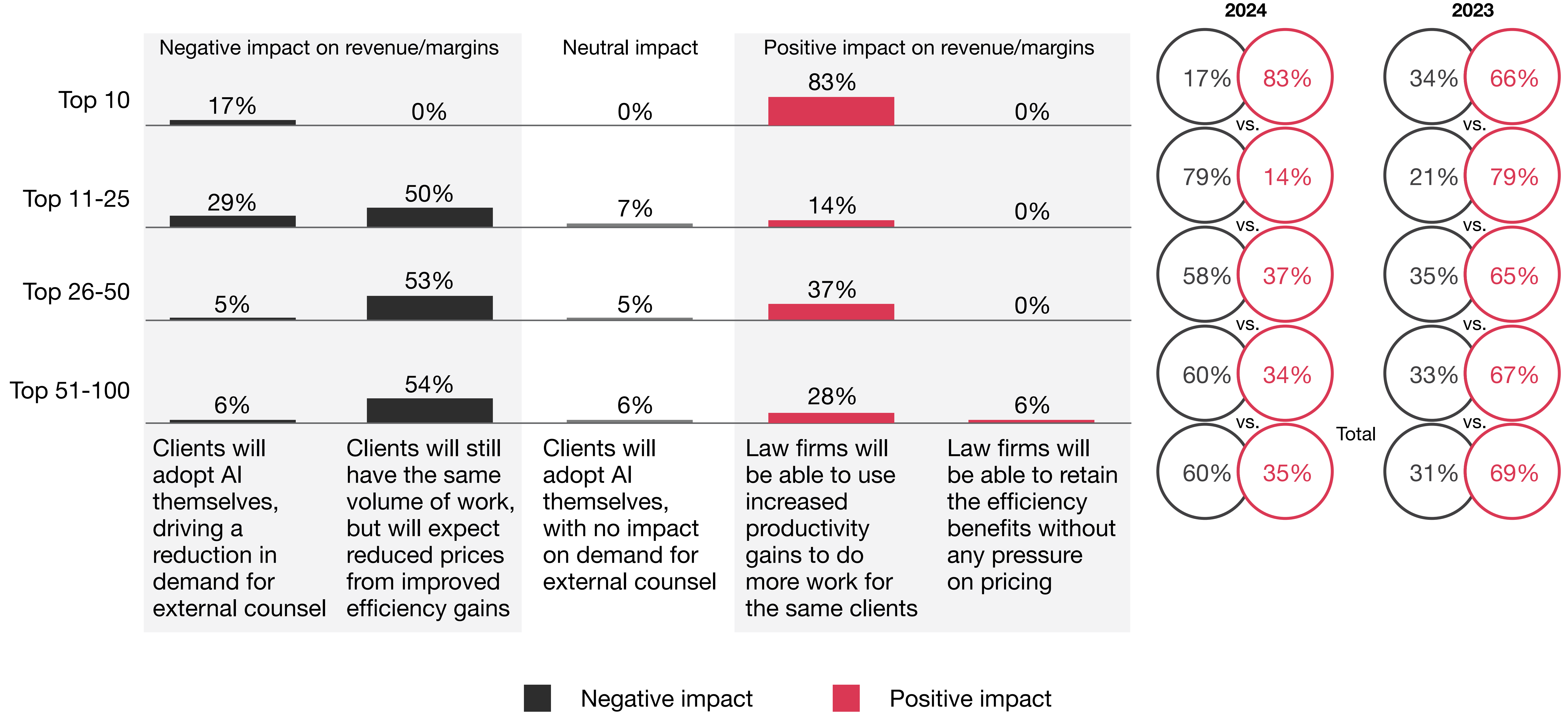
Law firms are acutely aware of the potential impact of continuing market uncertainty, with approximately **55% of Top 100 firms stating that they are extremely or somewhat concerned about macroeconomic volatility and geopolitical instability.**

Firms are also focused on the **speed of technological change,** with just over 50% of Top 100 firms being extremely or somewhat concerned that this will stop them meeting future ambitions. This supports the need for firms to have a robust digital strategy that is both fit for purpose now and agile as new technologies evolve and are adopted.

Larger firms continue to look positively towards generative AI (GenAI), with the vast majority expecting future productivity gains as GenAI becomes more embedded into their organisation. However, **firms outside the Top 10 have become more cautious**. A number of mid-tier firms now believe GenAI will have a negative impact on their business, fearing that clients will expect the same or reduced volume of work at lower prices. This is also closely connected to the scale of investment that mid-tier firms believe they may need to make in technology to stay competitive with the top of the market.

Challenges include the need for greater investment capacity and proprietary data; transparent pricing discussions with clients to appropriately recover investment spend (moving away from hours and rates pricing); and willingness of the workforce (particularly partners) to upskill and adapt. Appropriate investment in training is key to drive the adoption of GenAI and cultivate the right attitude to maximise its value.

Impacts of GenAI on the legal sector if adopted more widely

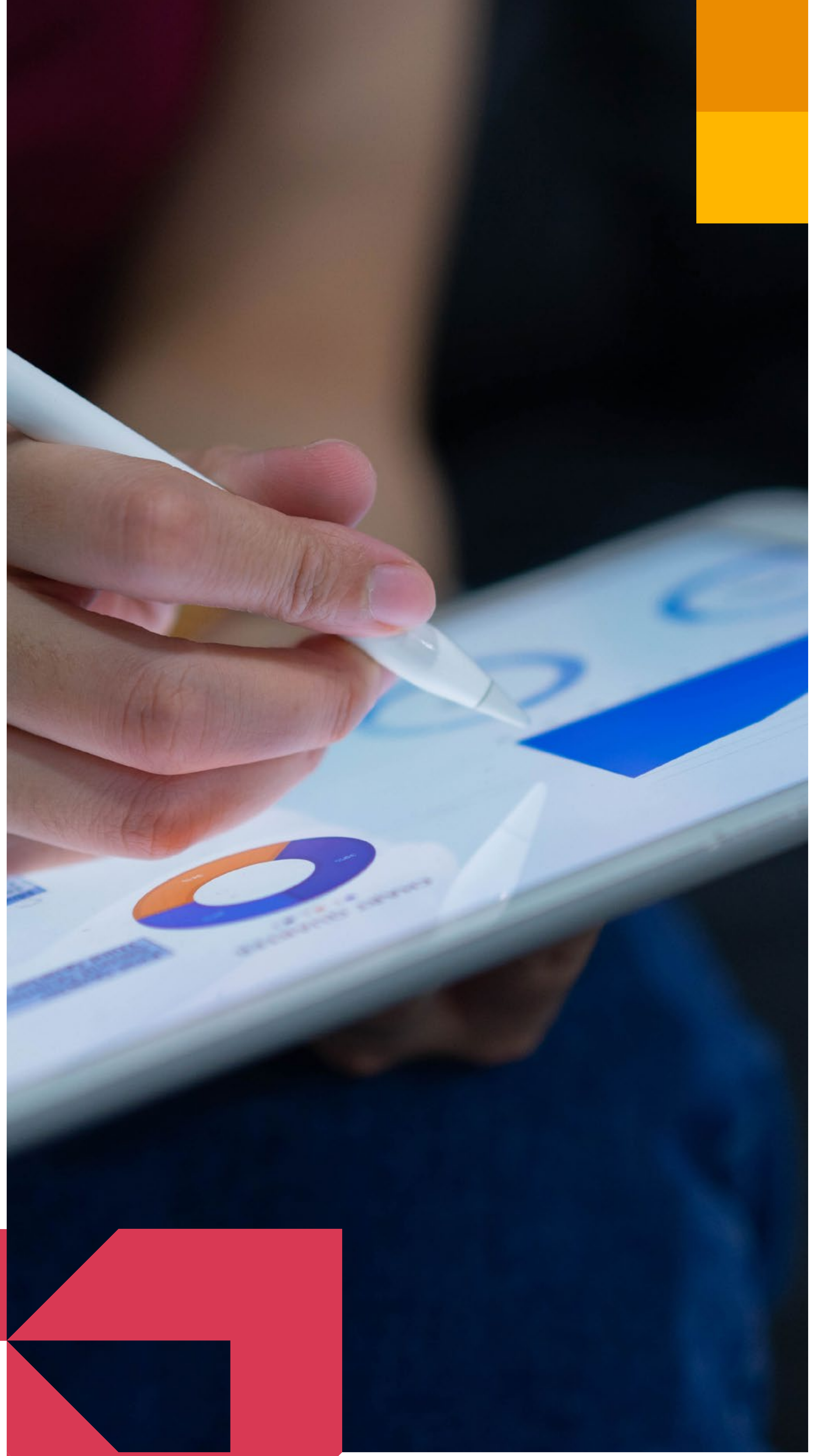


Just under half of Top 100 firms expect GenAI to generate savings in chargeable hours of at least 10%. To generate this scale of change in hours will require firms to build strong foundational data in the practice of law and then reap the benefits of AI tooling. It also points to a likely change in the size and shape of a law firm's workforce, with firms needing to consider the impact on recruitment strategy, training and skills, and shape of the fee-earner pyramid.

As organisations progress in their use of GenAI and other technologies, this naturally brings additional risks that firms have to manage and mitigate. **Cyber risk is the number one concern of law firms** based on the responses to our survey, with 90% of the Top 100 stating they are either extremely or somewhat concerned about this risk.

In response, firms in the Top 50 continue to increase their spend on cyber security to protect against potential reputational damage, financial loss and legal repercussions (for example, the Top 10 and 11-25 have increased such spend in the last year by 21% and 43% respectively). A focus on culture is also key: it is essential that cyber risk is addressed by managing partners and risk committees, ensuring that appropriate cyber governance is understood and the technology leaders within the firm are being effectively challenged on cyber risk. Further, sustained employee training is required to promote adoption of cyber security policies.

In summary, law firms are thriving but in an environment where macroeconomic and geopolitical volatility continue to pose a threat, where cost pressures remain, and where technology is evolving at pace. Against that backdrop, **innovation** will be key to transforming, unlocking growth and creating value. Firms will need to **adapt** quickly to embrace the opportunities afforded by GenAI, data and cloud. At the same time, robust risk management is essential to **protect** against cyber threats, changing workforce requirements, and the ever-increasing reputational risk that comes with renewed levels of focus on environmental, social and governance (ESG) considerations.



Global financial performance

Global law firms have performed strongly at the fee income level, with Top 10 and 11-25 firms increasing their revenues by 8.0% and 9.0% respectively. Across the Top 25, 94% of firms recorded fee income growth and for 44% this was double digit growth.

Top 10 firms achieved their fee income growth predominantly through a rise in average rate per hour, coupled with increased total chargeable hours, with the split approximately 65%/35%. The split in Top 11-25 firms was roughly 50%/50%.

Rate increases have been the driving force behind fee income growth for a few years now, although utilisation has also improved in a number of firms this year. With current market pressures, firms may find it difficult to continue to push rate increases, especially beyond levels of inflation. This could lead them to look to their workforce to further drive utilisation, where spare capacity still exists against target hours.

In terms of source of growth by region, UK offices achieved more growth than their international counterparts, with 58% and 67% of fee income growth coming from UK offices for the Top 10 and 11-25 firms respectively.

For Top 10 firms, Western Europe and USA provided the majority of fee income growth outside of the UK, with those regions recording increases of 9.9% and 14.3% respectively. Conversely, China (including Hong Kong) experienced a decline in fee income of 13.1% reflecting the macroeconomic uncertainty in that region.

In Top 11-25 firms, where international fee income only grew by 5.1%, it was Western Europe and Middle East that provided the bulk of the growth.

Global profit growth in Top 10 and 11-25 firms did not keep pace with the rise in fee income, with increases of 7.6% and 7.2% respectively (note: profit is before full and fixed share equity partner remuneration, as this allows a better comparison across a range of partnership models in UK and international offices).

In Top 10 firms, UK and Western Europe offices contributed 43% and 33% respectively to global fee income; however, profit contribution was greater at 46% and 35%. The reverse is true in a number of other regions where profit contribution is less than fee income contribution. There is also a similar trend in Top 11-25 firms, although not to the same extent.

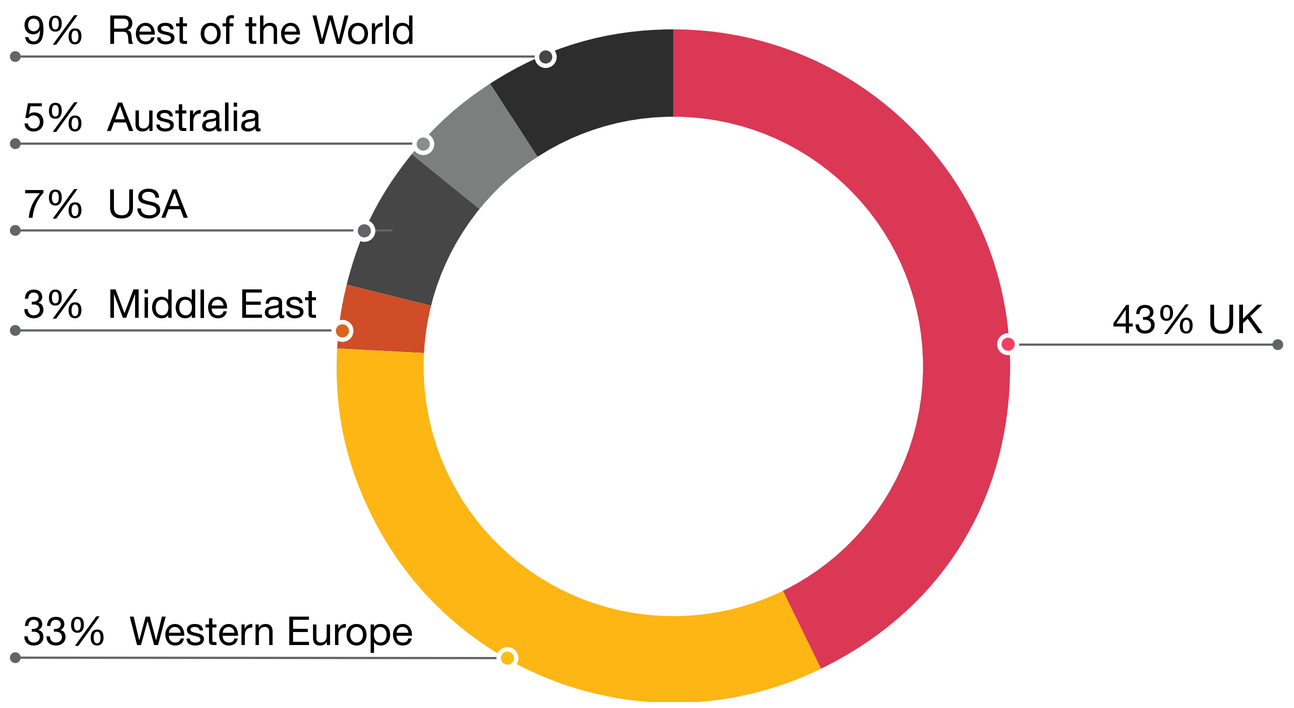
Global law firms will be well aware of these trends and we are starting to see evidence in the market of management teams reassessing their international footprint and retreating from less profitable countries.

The majority of growth in Top 10 international profit (in excess of 90%) came from Western Europe. China, as with fee income, suffered a decline in profit of 29%.

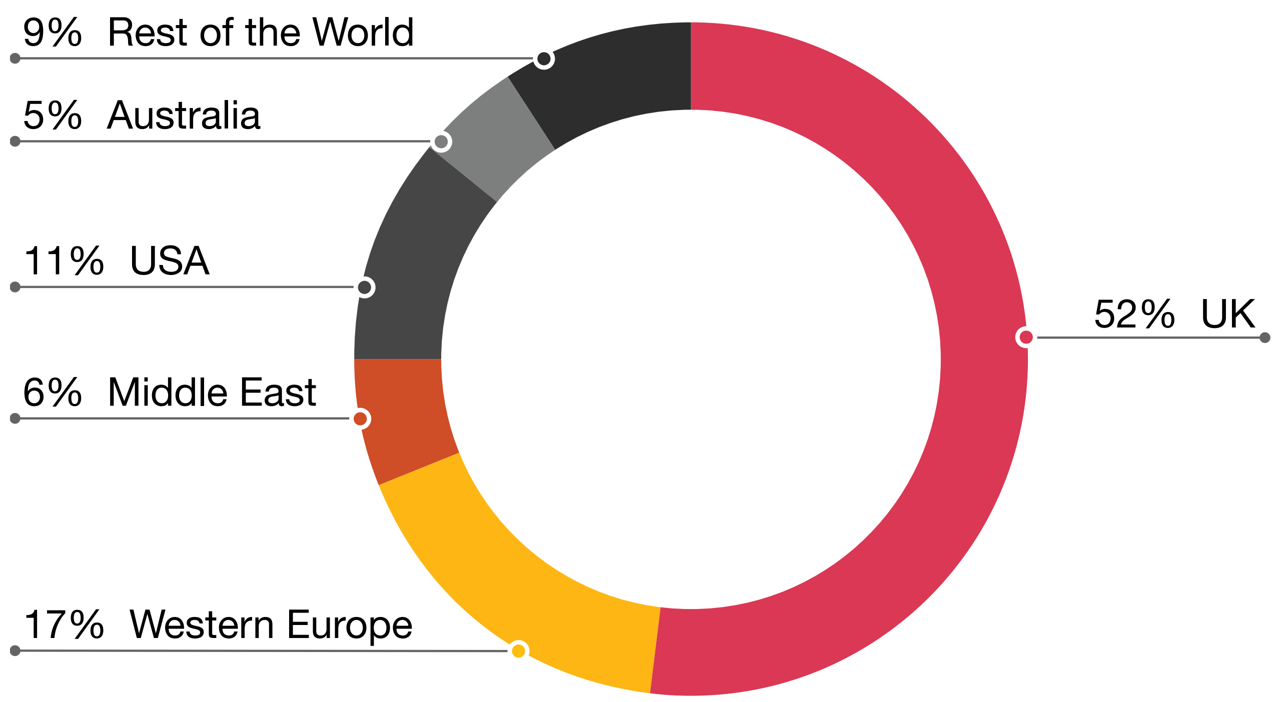
In Top 11-25 firms, the regions which contributed the most to growth in international profits were Central & Eastern Europe, Australia and the Middle East. There were three regions that saw average profits deteriorate: (i) Western Europe (by 1%); (ii) China (by 13%), and (iii) Rest of Asia & Far East (by 16%).

Fee income and profits by region

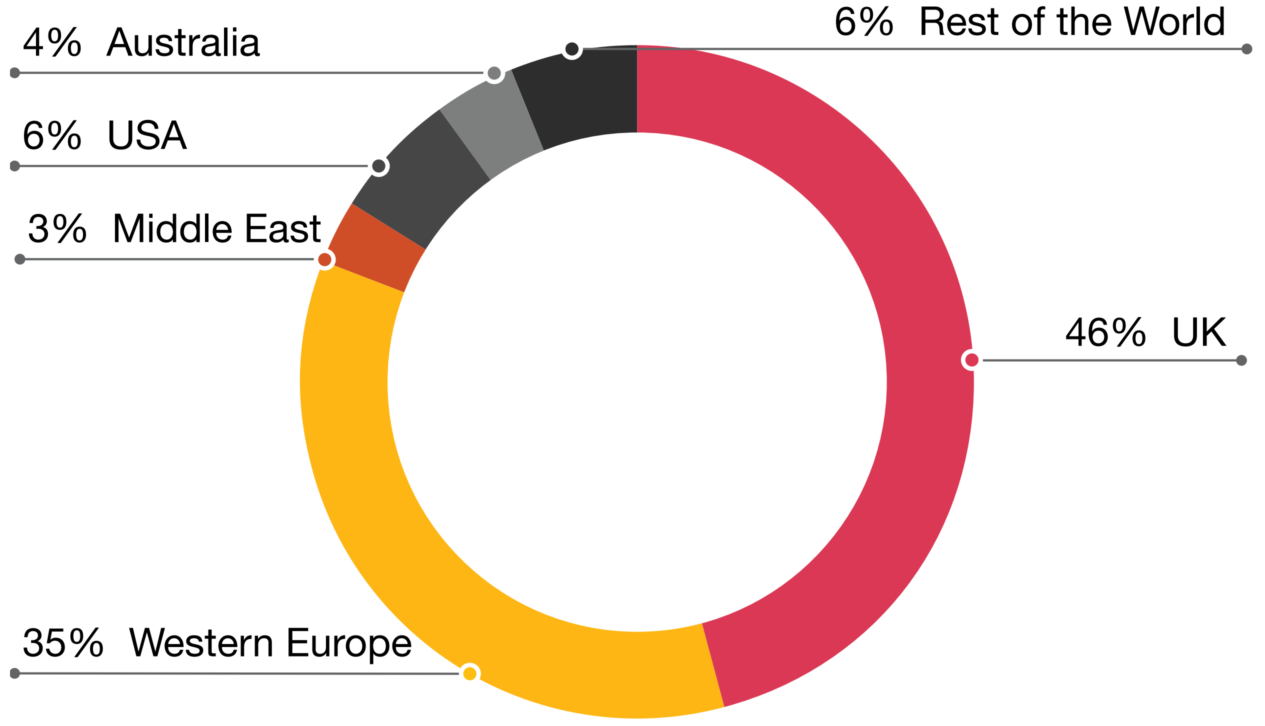
Top 10: fee income



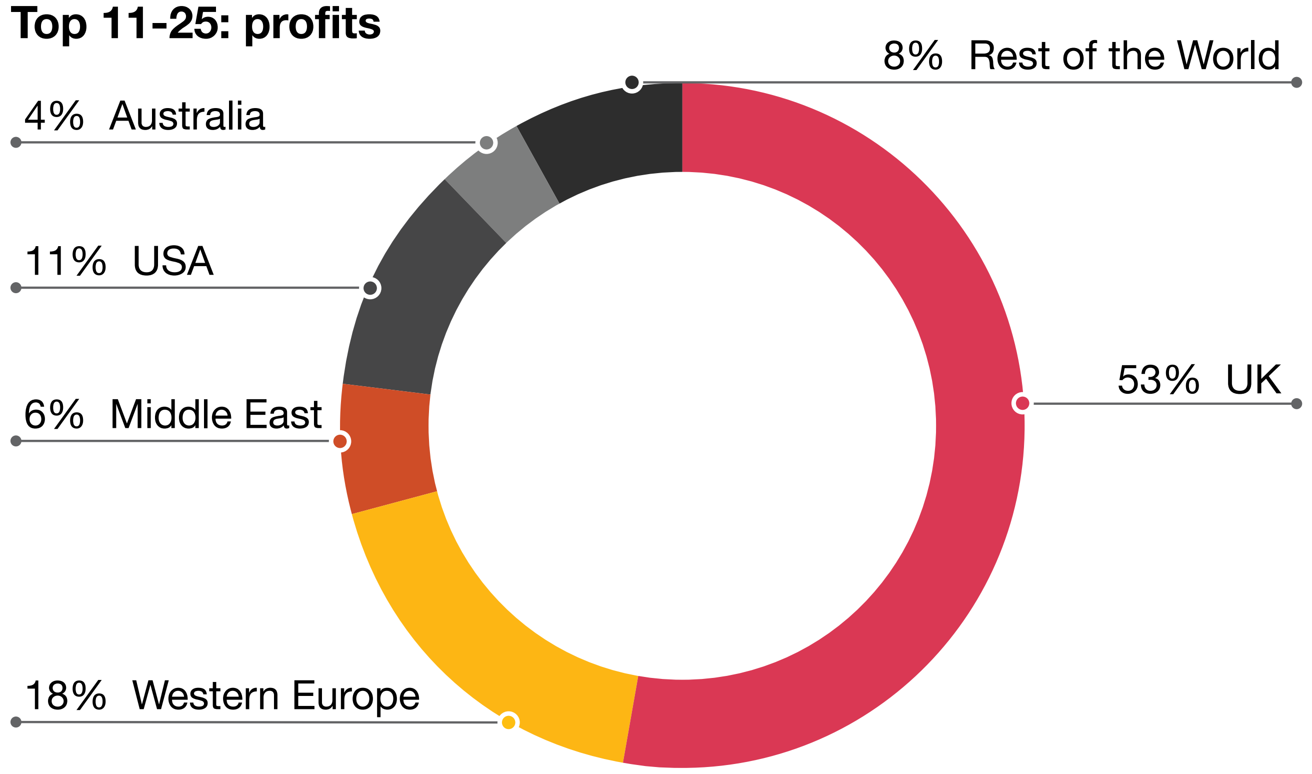
Top 11-25: fee income



Top 10: profits



Top 11-25: profits



Overall, Top 10 firms improved their global profit margin by 0.1pp to 39.6% while Top 11-25 firms experienced a reduction in their average margin of 0.2pp to 35.2%.

The cost ratios reveal that Top 10 firms managed their global costs better than Top 11-25 firms. In fact, average Top 10 cost ratios experienced very little movement from prior year with IT costs being the largest fluctuation, up 0.4pp to 3.3%. This was offset by a reduction in the property cost ratio, down 0.3pp to 6.9%.

A significant factor in Top 11-25 firms was an increase of 0.9pp in the staff cost ratio, to 43.0% (being 3.4pp greater than the average for Top 10 firms) and, while insurance costs fell by 0.5pp (to 1.3%), a number of other cost ratios increased slightly.

Global – Average percentage profit and loss account

	Top 10		Top 11-25	
	2024	2023	2024	2023
	%	%	%	%
Fee income	**100.0**	**100.0**	**100.0**	**100.0**
Staff costs – fee earners	27.7	27.7	27.6	27.1
Staff costs – non-fee earners	11.9	12.0	15.4	15.0
Property costs	6.9	7.2	6.8	7.0
IT revenue costs	3.3	2.9	3.0	3.2
Marketing and BD costs	1.0	1.0	1.5	1.4
Finance function costs	0.8	0.8	0.8	0.6
Depreciation	1.6	1.4	1.3	1.3
Insurance costs	1.3	1.4	1.3	1.8
Bad debts and disbursements	0.9	0.9	1.5	1.3
Foreign exchange differences	0.2	0.3	0.1	-0.2
All other costs	4.8	4.9	5.5	6.1
Profit before fixed share equity remuneration	**39.6**	**39.5**	**35.2**	**35.4**
Fixed share equity partners' remuneration	2.8	2.5	9.9	9.2
Net profit margin	**36.8**	**37.0**	**25.3**	**26.2**

UK financial performance

UK offices of Top 100 law firms achieved a record year in 2024, with 97% of all firms surveyed posting UK fee income growth, including 100% of our Top 50.

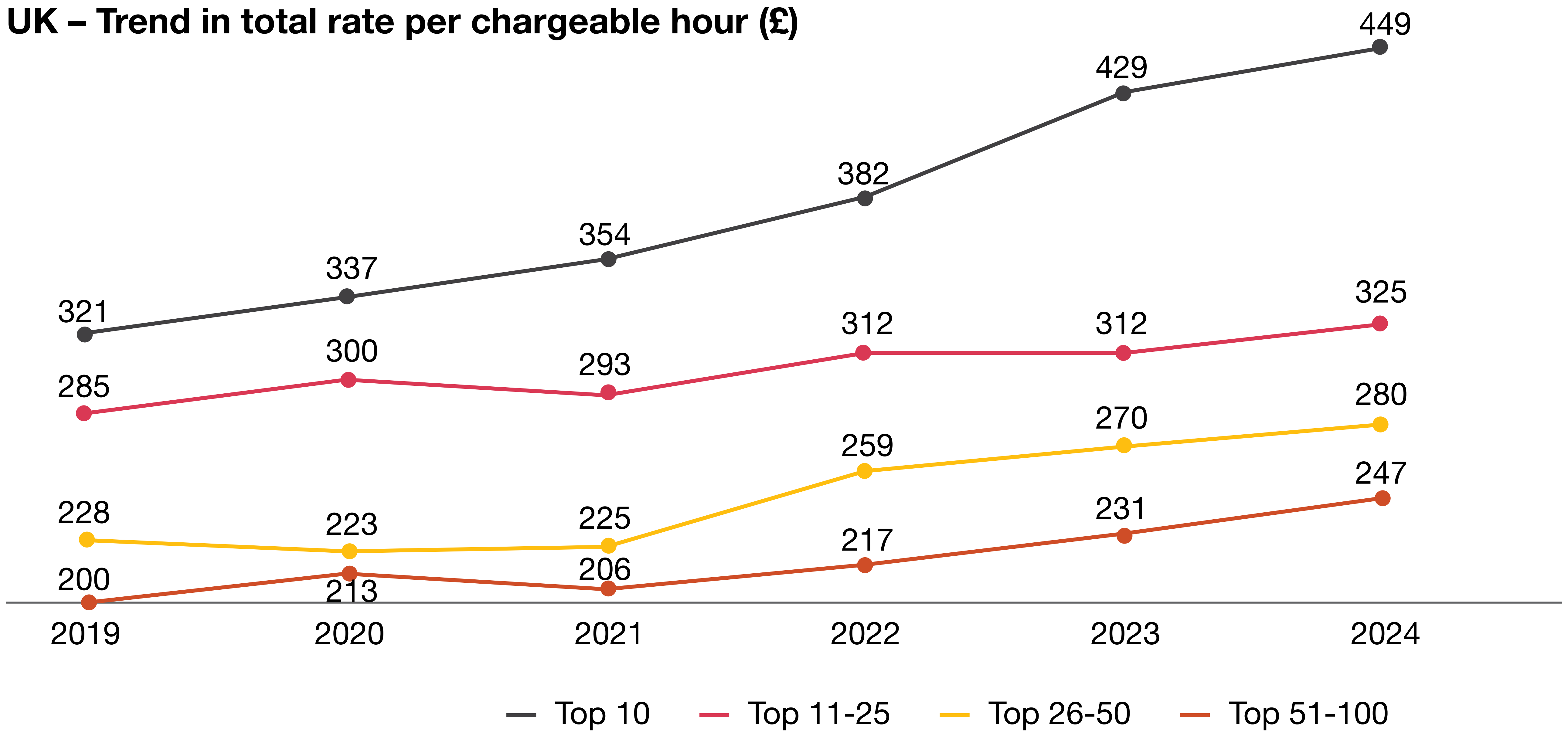
The extent of growth is impressive and exceeds expectations set by firms in last year's survey: (i) Top 10: expectation of 8.7% vs 11.6% actual; (ii) Top 11-25: 7.9% vs 9.8%; (iii) Top 26-50: 10.7% vs 11.7%; and (iv) Top 51-100: 9.4% vs 12.5%.

Firms have benefitted from both an increase in overall chargeable hours and a rise in average rate per hour (to broadly equal extent).

Focusing in on rate per hour, this continues to be driven upwards with movements across the bandings of between 3.7% and 6.9% compared to prior year. However, this contrasts with average inflation in the year to April 2024 of 5.2% and only Top 51-100 firms pushed their rate per hour beyond average inflation (at 6.9%).

A comparison of rate per hour over the last five years (i.e. 2019 to 2024) shows the extent of growth in this KPI, which is most significant in the Top 10, at 39.9%. The growth in the remaining bandings is substantially lower at between 14.0% and 23.5%.

UK – Trend in total rate per chargeable hour (£)



Increases from 2019 to 2024:

Top 10: 39.9%

Top 11-25: 14.0%

Top 26-50: 22.8%

Top 51-100: 23.5%

Where firms struggled to convert increases in fee income to profit growth last year, this year is a very different story for firms in the Top 50. On average, these bandings recorded profit growth in excess of that attained at the fee income level. For Top 51-100 firms, profit growth was reasonably consistent with the rise achieved in fee income. Further, all bandings recorded increases in profit ahead of predictions in our survey last year: (i) Top 10: expectation of 9.8% vs 13.1% actual; (ii) Top 11-25: 5.9% vs 13.6%; (iii) Top 26-50: 8.5% vs 15.6%; and (iv) Top 51-100: 9.1% vs 12.4%.

Rate increases have helped firms absorb an increasing cost base over the last few years, but we anticipate that will become harder to sustain. We expect firms will consider more efficient approaches to delivery of legal services, including use of technology, automation, process redesign, managed services and the use of captive shared service centres, to help protect or grow future profit margins.

Top 10 firms continue to command the highest net profit margin (profit before full equity partner remuneration as a percentage of fee income), on average achieving 41.2%. This represents growth of 0.5pp on last year and reflects fee income growth together with improved control of non-fee earner staff costs, offset somewhat by an increase in bad debts.

The net profit margins achieved, compared to last year, across the remaining bandings are as follows: (i) Top 11-25, down 0.2pp to 27.7%; (ii) Top 26-50, consistent at 25.2%; and (ii) Top 51-100, down 0.2pp to 23.5%. On a like-for-like basis Top 11-25 and 26-50 firms did increase their margins slightly, by 0.3pp and 0.7pp respectively.

All bandings of firms grew profit per full equity partner (‘PEP’), with bandings outside the Top 10 recording the largest increases. On a like-for-like basis, these are as follows: (i) Top 11-25: up 17%; and Top 26-50 and 51-100: up 14%. This has been achieved from a growing profit base against a static partner headcount. Top 10 firms posted a modest increase in PEP of 3.9% which is reflective of increases in both profit and full equity partner headcount.

UK – Average percentage profit and loss account

	Top 10		Top 11-25		Top 26-50		Top 51-100	
	2024	2023	2024	2023	2024	2023	2024	2023
	%	%	%	%	%	%	%	%
Fee income	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Staff costs – fee earners	26.4	26.5	29.7	28.5	30.1	30.4	33.1	31.3
Staff costs – non-fee earners	9.5	10.6	14.5	15.4	15.1	15.2	15.0	15.1
Property costs	6.6	6.8	6.2	6.8	6.1	6.4	6.0	6.9
IT revenue costs	3.2	3.0	3.5	3.6	3.5	3.6	4.6	4.2
Marketing and BD costs	1.0	1.0	1.3	1.2	1.6	1.6	2.1	1.9
Finance function costs	0.9	0.8	0.5	0.5	0.1	0.3	0.0	-0.2
Depreciation	1.7	1.5	1.4	1.3	1.8	1.8	1.7	1.7
Insurance costs	1.4	1.3	1.5	1.7	1.9	2.1	2.9	3.2
Bad debts and disbursements	1.3	0.9	1.0	1.1	1.1	0.9	0.8	1.0
Foreign exchange differences	0.1	0.2	0.0	-0.1	0.1	0.0	0.0	0.0
All other costs	4.6	4.5	5.8	5.6	3.9	4.2	3.5	3.2
Profit before fixed share equity remuneration	**43.3**	**42.9**	**34.6**	**34.4**	**34.7**	**33.5**	**30.3**	**31.7**
Fixed share equity partners' remuneration	2.1	2.2	6.9	6.5	9.5	8.3	6.8	8.0
Net profit margin	**41.2**	**40.7**	**27.7**	**27.9**	**25.2**	**25.2**	**23.5**	**23.7**
Staff cost ratio (all staff costs)	35.9	37.1	44.2	43.9	45.2	45.6	48.1	46.4
Staff cost ratio (all staff costs, inc. FSEP costs)	38.0	39.3	51.1	50.4	54.7	53.9	54.9	54.4

Strategy and transformation

Concerns regarding future growth

Across the Top 100 law firms, cyber risk returns to the top of the concerns list this year, with 90% of all respondents either extremely or somewhat concerned that this will impact future growth ambitions over the next two years. This is likely fuelled by the growing volume of connected devices, hybrid working habits and the increasing sophistication of threat actors.

Macroeconomic volatility continues to be a significant concern, albeit the level of concern has fallen since last year (58% of the Top 100 identifying it as extremely or somewhat concerning in 2024 vs 87% in 2023). It is the larger, international law firms who are more exposed to and concerned about this risk. The improvement in the UK economic outlook over the last year, with UK GDP growing by 0.7% and 0.6% in Q1 and Q2 2024 respectively, has doubtless contributed to the easing of concern for UK-centric firms.

Conversely, concerns over geopolitical instability have increased this year (54% of the Top 100 saying they are extremely or somewhat concerned vs 48% in 2023). This is particularly true amongst the Top 50 where the impact of global events is felt more acutely. The threat is unlikely to abate any time soon, with Middle East volatility escalating, the ongoing Russia/Ukraine conflict exacerbating regional tensions in Eastern Europe, rising populism creating unrest in Western Europe, and US/China rivalry continuing.

Concerns over the speed of technological change continue to feature highly, but have fallen since last year (52% vs 63% in 2023) as firms have gained a greater understanding of large language models and their potential use and adoption. Law firms will need to continue to analyse how changing technology in the sector impacts upon their organisation, particularly as the number of firms investigating, adopting and further understanding new GenAI tools grows.

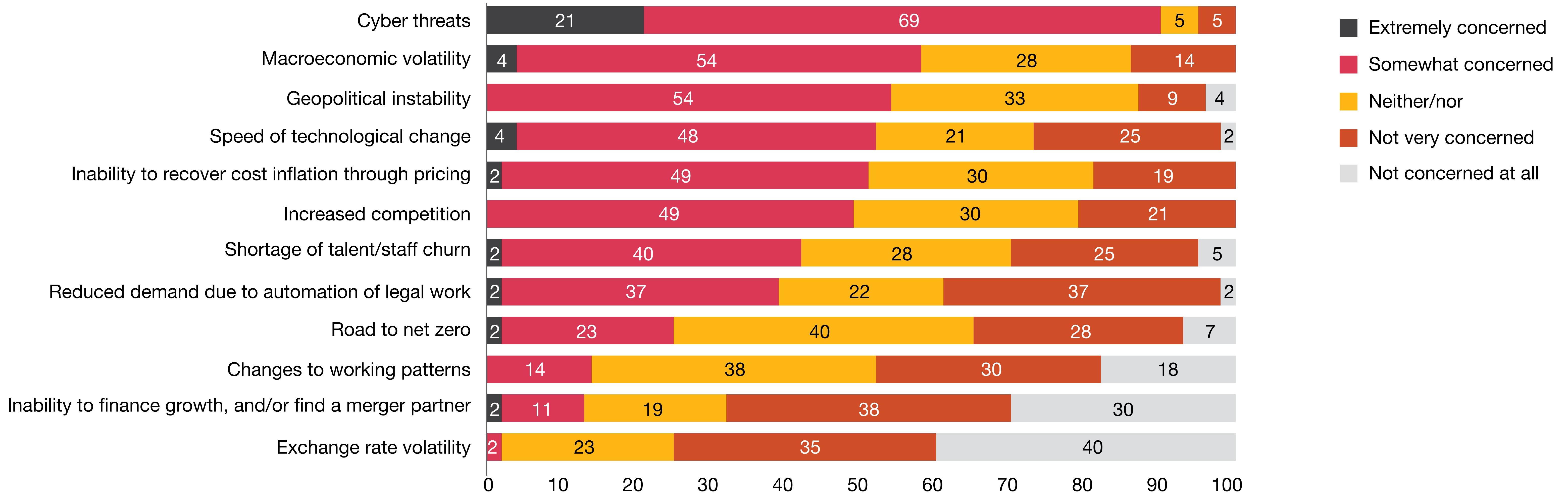
Although many firms are still at the stage of trialling various tools, it is becoming widely accepted that GenAI has the potential to transform the practice of law and automate a significant proportion of the existing workload, provided the right data and technology infrastructure is in place. There is clearly still uncertainty as to how firms will need to adjust their existing business models to capture the value opportunity on offer and to manage risk.

Inability to recover cost inflation through pricing (51% vs 70% in 2023) and increased competition (49% vs 42% in 2023) are the remaining areas with higher levels of concern; albeit, the former has seen the level of concern fall from prior year.

Despite a positive financial performance across the sector, the challenge of passing higher costs onto clients remains. Although UK CPI has eased over the last year and returned closer to the Bank of England 2% target, law firms still face significant wage inflation. This is driven by increased competitive pressure and the need to attract and retain talent.

'Clients reducing demand through automation of legal work' was a new 'concern' option in this year's survey and 39% view this as either extremely or somewhat concerning. Driven by the increased adoption of GenAI tools and the expected impact on the sector, this could become more concerning as time passes.

Key threats to firms meeting or exceeding their ambitions over the next two years (Top 100 – %)



Organic and inorganic growth strategies

Law firms continue to actively pursue, or are considering pursuing, a range of avenues to achieve organic growth. Key areas include: (i) Improvements in client and account management planning (79% are actively pursuing and 18% are considering – from the Top 100); (ii) Commercial training for partners and fee earners (79% and 12%); (iii) Hiring rainmakers (74% and 16%); (iv) Innovative legal solutions (65% and 28%); and (v) Focused practice/service innovation (60% and 40%).

There has not been a significant change this year in how firms are approaching inorganic growth, with non-transformational options remaining most common. Lateral hires continue to be the number one option with 79% actively pursuing and 19% considering from Top 100 firms. A smaller number of firms (though still a majority) are actively pursuing or considering a tactical acquisition, to either build scale in a geography (60%) or practice area/service line (58%). Although many firms have ambitious growth plans, underpinned by M&A, only a very small minority of firms are actively pursuing a strategic merger or acquisition.

There has been a slight shift in appetite among firms to consider alternative funding or ownership structures, as follows: (i) Shift to a corporate model: 2% are actively pursuing and 7% are considering vs 0% and 2% last year; (ii) 11% are considering minority investment private capital investors vs 9% last year; and (iii) Forming or joining a holding company of legal brands: 4% are actively pursuing and 9% are considering vs 0% and 5% last year.

This year has witnessed a significant rise in external investment within the legal services sector. The increasing prevalence of alternative and disruptive business models has captured the attention of Private Equity firms, due to their potential to transform traditional practices and open up new avenues for growth. The disruptive influence of technology further amplifies the sector's attractiveness, presenting opportunities for innovation and efficiency through automation and use of artificial intelligence. Beyond providing financial support, external investors have also contributed management expertise and facilitated operational enhancements, leading to substantial improvement in efficiency and profitability for law firms. Recent transactions such as DWF and Stowe Family Law amongst others, are all evidence of increasing Private Equity interestin the sector. As more success stories emerge, external investment in the sector is anticipated to increase significantly over the next couple of years.

GenAI

GenAI presents a significant opportunity for law firms to improve existing services, innovate service delivery and develop new client solutions, along with boosting fee income and profit margins. However, there is caution as it also poses a risk to the current business model of law firms, with the potential to reduce client demand and add to pressure on pricing.

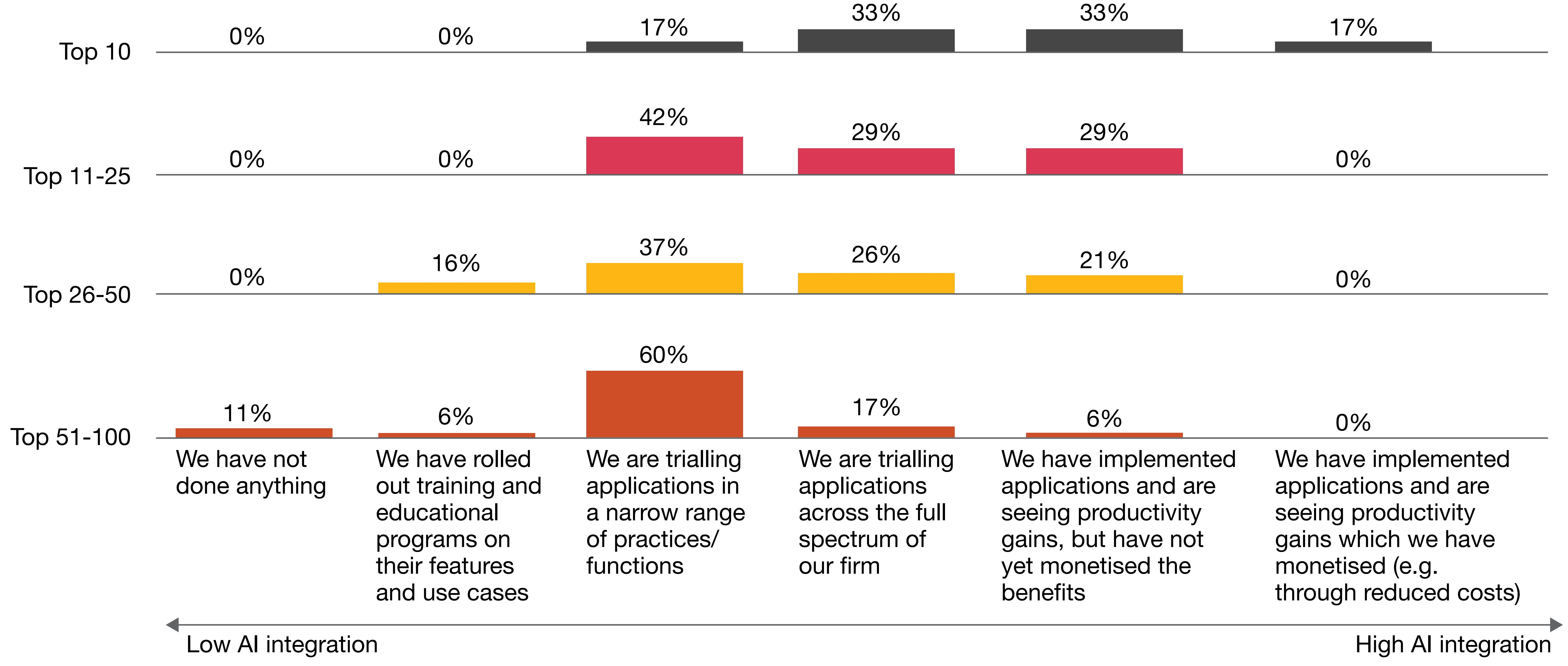
Although only 4% and 2% of Top 100 firms stated they were extremely concerned about the speed of technological change and clients reducing demand through automation of legal work respectively, most firms expect a significant proportion of existing fee earning work could be automated through the usage of AI tools. This will likely impact pricing and/or team structures across the wider sector. A significant majority (80%) of Top 100 firms believe at least 6% of existing chargeable work could be automated and a third believe at least 16% of existing chargeable work could be automated; at this end of the spectrum, the scale of disruption would be unprecedented.

In contrast to last year, and perhaps driven by increased understanding and adoption of GenAI tools, a clear disparity in the expected outcome of these tools by size of firm has emerged:

- A significant proportion of Top 10 firms see positive benefits from the use of GenAI, with 83% believing they will be able to use increased productivity gains to do more work for the same clients.
- The majority of Top 11-100 firms are negative about the impact of GenAI and we note that (i) over 50% expect adoption of Gen AI to have no impact on the volume of work, but it will reduce pricing; and (ii) approximately 20% believe there will be reduced demand as clients adopt AI themselves.

Law firms continue to invest heavily in GenAI tools, with almost 90% of Top 100 firms having now implemented or trialled GenAI tools, compared to only 55% in 2023. Law firms are also innovating with a range of tools, and many are using multiple tools.

Extent of usage of AI tools, such as ChatGPT/Harvey

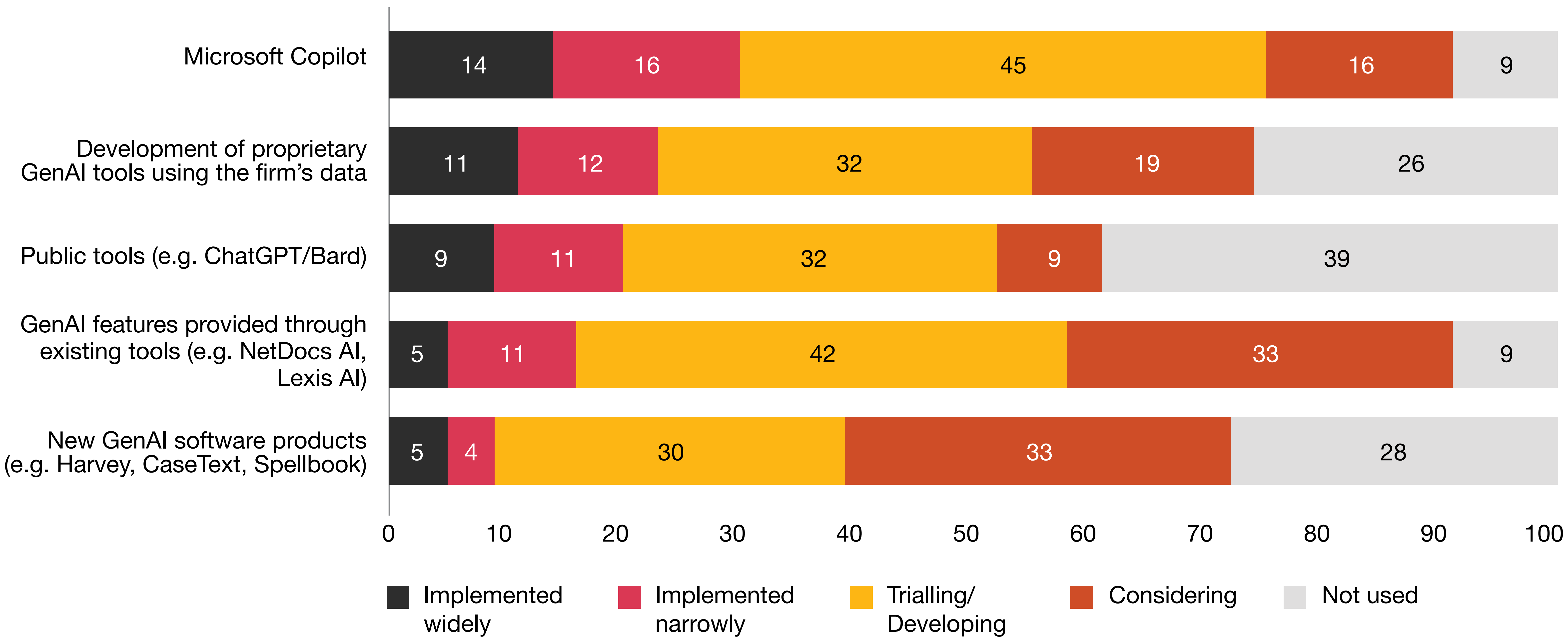


Microsoft Copilot is the most widely implemented tool; 30% of Top 100 firms have implemented the tool (widely or narrowly across their business) and a further 45% of firms are trialling it. Implementation of new GenAI products such as Harvey, CaseText, and Spellbook remains low at 9% of Top 100 firms, but 63% of the Top 100 are either trialling or considering these tools. There are also 23% of Top 100 firms that have developed a proprietary GenAI tool using their own data, with the vast majority of these being among the Top 50.

Although most firms have made significant investments and are now utilising GenAI tools in some form, it is clear that in practice they continue to face the challenge of realising the full potential these tools have to offer. Only one firm in our survey has implemented applications that they have monetised and just 19% of Top 100 firms have reached the point where they are realising some productivity gains. There are 67% of the Top 100 that are still trialling applications and are yet to achieve productivity gains.

When considering that a third of the Top 100 believe at least 16% of chargeable hours are at risk, it is really important that firms have a clear change and adoption strategy that goes beyond the initial trialling and experimentation phase. That strategy should clearly articulate expectations about using AI tools, by role and use case. Setting up networks that champion knowledge sharing and innovation will also ensure firms drive a mindset that embraces Gen AI to its maximum potential.

Extent of use of specific GenAI tools (Top 100 firms - %)



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Environmental, Social and Governance (ESG)

ESG continues to be an important aspect of law firm strategy, driven by regulatory compliance requirements as well as increasing client and staff interest and expectations.

Firms have continued to make progress in strengthening their policies and setting ESG targets, but there is still significant potential for this to be developed further, particularly among Top 51-100 firms.

In the Top 50, 49% have a well-developed ESG policy that is embedded in their activities, with a further 44% having a policy that is largely formulated, but not yet fully implemented. This compares to 28% and 28% respectively for Top 51-100 firms.

The key ESG areas where firms expect significant influence over a firm's business model over the next five years are travel policies (60% of Top 100), supplier selection (49%) and recruitment of employees (42%). Only 16% of the Top 100 stated that selection of clients would have a significant influence, but there is more expectation in the Top 10, at 33%.

There has been a slight increase in the use of ESG targets in all noted areas. The most prevalent ESG targets continue to be greenhouse gas (GHG) emissions (77% of Top 100 firms vs 64% last year), gender representation (72% vs 70%), race and ethnicity representation (61% vs 55%) and employee engagement metrics (60% vs 45%). This compares to a minority of firms setting ESG targets in respect of lower socio-economic background representation rates (28% vs 23%).

As the importance of ESG continues to grow, along with regulatory reporting requirements increasing, we expect target setting in the areas mentioned above will continue to grow. By taking a more strategic approach to sustainability reporting, firms can go beyond compliance to better understand risk and create value. From emissions to the workforce, sustainability touches every part of a firm's business. A reporting-led cross-functional transformation can provide 'decision-grade' data to open up new ways to reduce costs while decarbonising, access broader sources of capital and build resilience deep into the organisation.

People

UK headcount

Following across-the-board increases in headcount in last year's survey, law firms have continued to invest further in their workforce in the past year.

In the Top 10, headcount has increased by 2.6% (2023: 1.8%). Among the fee-earner population (including partners), headcount increased by 1.3% (2023: 2.2%). There has also been investment in business support staff, which is up 4.2% (2023: 1.3%).

The movements in other Top 100 bandings, as reflected in the table opposite, reveal an upward trend in headcount; however, on a like-for-like basis the increases are not so substantial. The range of increases, on a like-for-like basis, across the Top 11-25, 26-50 and 51-100 firms are: (i) total partners: 2.5% to 4.8% (2023: 2.3% to 4.8%); (ii) total fee earners (including partners): 4.9% to 5.5% (2023: 0.5% to 2.7%); and (iii) business support staff: 1.4% to 7.5% (2023: 3.3% to 5.5%).

While all bandings continue to invest in business support staff, many firms are reviewing and refining the service levels, cost, shape and size of their operating models, with increasing use of shared service centres, managed services and offshoring becoming more widespread in an effort to reduce costs while maintaining productivity levels.

UK headcount

	Top 10			Top 11-25			Top 26-50			Top 51-100		
	Average 2024	**Average 2023**	**% mvt 2023-2024**	**Average 2024**	**Average 2023**	**% mvt 2023-2024**	**Average 2024**	**Average 2023**	**% mvt 2023-2024**	**Average 2024**	**Average 2023**	**% mvt 2023-2024**
Full equity partners	159	154	3.2%	89	87	2.3%	62	57	8.8%	31	29	6.9%
Fixed share equity partners	41	41	0.0%	76	54	40.7%	68	62	9.7%	26	27	-3.7%
Non-equity partners	1	1	0.0%	15	15	0.0%	8	7	14.3%	13	10	30.0%
Total Partners	**201**	**196**	**2.6%**	**180**	**156**	**15.4%**	**138**	**126**	**9.5%**	**70**	**66**	**6.1%**
9+ years pqe	132	125	5.6%	158	147	7.5%	107	98	9.2%	55	43	27.9%
6-8 years pqe	160	152	5.9%	89	64	39.0%	60	54	11.1%	26	23	13.0%
3-5 years pqe	158	153	3.3%	108	86	25.6%	73	61	19.7%	31	30	3.3%
1-2 years pqe	139	139	0.0%	83	65	27.7%	50	44	13.6%	26	22	18.2%
Newly qualified	49	47	2.1%	42	37	13.5%	23	22	4.5%	11	9	22.2%
Legal executives and paralegals	121	133	-9.0%	145	120	20.8%	116	107	8.4%	60	54	11.1%
Trainees	146	147	-0.7%	81	67	20.9%	53	44	20.5%	25	22	13.6%
Total fee-earners (including partners)	**1,106**	**1,092**	**1.3%**	**886**	**742**	**19.4%**	**620**	**556**	**11.5%**	**304**	**269**	**13.0%**
Business support staff	974	935	4.2%	588	533	10.3%	375	344	9.0%	173	157	10.2%
Total	**2,080**	**2,027**	**2.6%**	**1,474**	**1,275**	**15.6%**	**995**	**900**	**10.6%**	**477**	**426**	**12.0%**

Note: some movements in the above are impacted by mix of respondents; see text for like-for-like comparisons

UK chargeable hours

Chargeable hours increased across the fee earner grades (excluding partners) for all bandings, except in Top 11-25 firms for 9+ years pqe, 1-2 years pqe and trainees. The rise in utilisation is between 1% and 5% across most grades.

Partner chargeable hours saw modest increases in the Top 10, with both full and fixed share equity partners growing hours by approximately 4%. There were decreases in partner chargeable hours outside the Top 10, with the exception of fixed share equity partners in the Top 26-50.

Target chargeable hours have remained largely flat. In Top 10 firms, there has been a slight increase in target chargeable hours across most grades of approximately 2-3%.

The increase in chargeable hours is consistent with a push by firms for greater productivity from their fee earners as the emphasis on commercial performance increases. We expect this push on utilisation to continue for the foreseeable future.

Firms are also using incentive schemes to drive desired outcomes, with 95% of Top 100 firms reporting that chargeable hours performance was used to determine bonus payments, followed by firmwide performance (70%), business development (67%) and behaviours/values (63%).

UK chargeable hours

	Top 10			Top 11-25			Top 26-50			Top 51-100		
	Average 2024	Average 2023	% mvt 2023-2024	Average 2024	Average 2023	% mvt 2023-2024	Average 2024	Average 2023	% mvt 2023-2024	Average 2024	Average 2023	% mvt 2023-2024
Full equity partners	1,153	1,105	4.3%	963	976	-1.3%	844	851	-0.8%	776	818	-5.1%
Fixed share equity partners	1,090	1,048	4.0%	932	957	-2.6%	910	904	0.7%	832	858	-3.0%
9+ years pqe	1,499	1,427	5.0%	1,239	1,252	-1.0%	1,125	1,103	2.0%	1,080	970	11.3%
6-8 years pqe	1,501	1,406	6.8%	1,326	1,287	3.0%	1,172	1,153	1.6%	1,126	1,052	7.0%
3-5 years pqe	1,539	1,491	3.2%	1,321	1,276	3.5%	1,193	1,155	3.3%	1,154	1,026	12.5%
1-2 years pqe	1,486	1,446	2.8%	1,299	1,307	-0.6%	1,195	1,181	1.2%	1,110	1,046	6.1%
Newly Qualified	1,435	1,296	10.7%	1,199	1,184	1.3%	1,065	1,046	1.8%	1,009	968	4.2%
Paralegal and legal executives	950	946	0.4%	1,081	1,009	7.1%	895	879	1.8%	862	810	6.4%
Trainees	1,123	1,121	0.2%	937	940	-0.3%	827	793	4.3%	774	745	3.9%

Staff turnover

Following a sustained rise in staff turnover in 2023, the current year saw reduced staff movements across the sector. While overall turnover has increased in the Top 11-25 by 0.7%, it has fallen across the remaining bandings: Top 10 by 7.6%; Top 26-50 by 2.1%; and Top 51-100 by 1.2%

The sizable reduction in the Top 10 is consistent with the relatively flat headcount numbers reported by this banding. We do expect greater levels of movement in future years as firms review the shape and size of their workforce in response to expected increases in process automation and use of emerging technologies.

In light of this, we expect some firms will invest in a deeper workforce transformation exercise to ensure the shape of their workforce better reflects the use of technology and off/nearshoring in delivering legal services, meets the future strategy of the firm and aligns with utilisation expectations by grade.

Any such shift in the workforce of law firms will likely have a greater impact on grades working on routine services and tasks, i.e. junior fee-earners, including paralegals.

Diversity

Female representation at full equity partner level has trended upwards across all bandings, excluding the Top 51-100. The Top 10 firms have seen the largest rise this year, reporting an increase of 4.8pp to 29.8%, although we note that this is an increase of 2.8pp on a like-for-like basis. Representation in the Top 11-25 increased by 1.2pp to 22.6%, while an increase of 0.9pp to 24.8% was seen in the Top 26-50. The Top 51-100 reported a decrease of 1.4pp to 27.2%. The trends were mirrored for minority ethnic representation at full equity partner level, with increases reported in the Top 10 (8.8% to 9.0%), Top 26-50 (4.5% to 5.5%) and Top 51-100 (6.3% to 7.4%). The Top 11-25 firms experienced a small decrease in representation (6.4% to 6.2%)

While these insights demonstrate positive strides are being made on gender and minority ethnic diversity, broader areas of diversity are also becoming more prominent in firms' thinking. When asked what other aspects of diversity are being monitored across the workforce, over 85% of firms responded with social mobility, disability and sexual orientation, while just under 40% also monitor neurodiversity. It is expected that these additional diversity strands will soon form part of diversity reporting within firms, and that defined targets and strategies will become increasingly prevalent to further enhance the diversity of the workforce.

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Working capital and financing

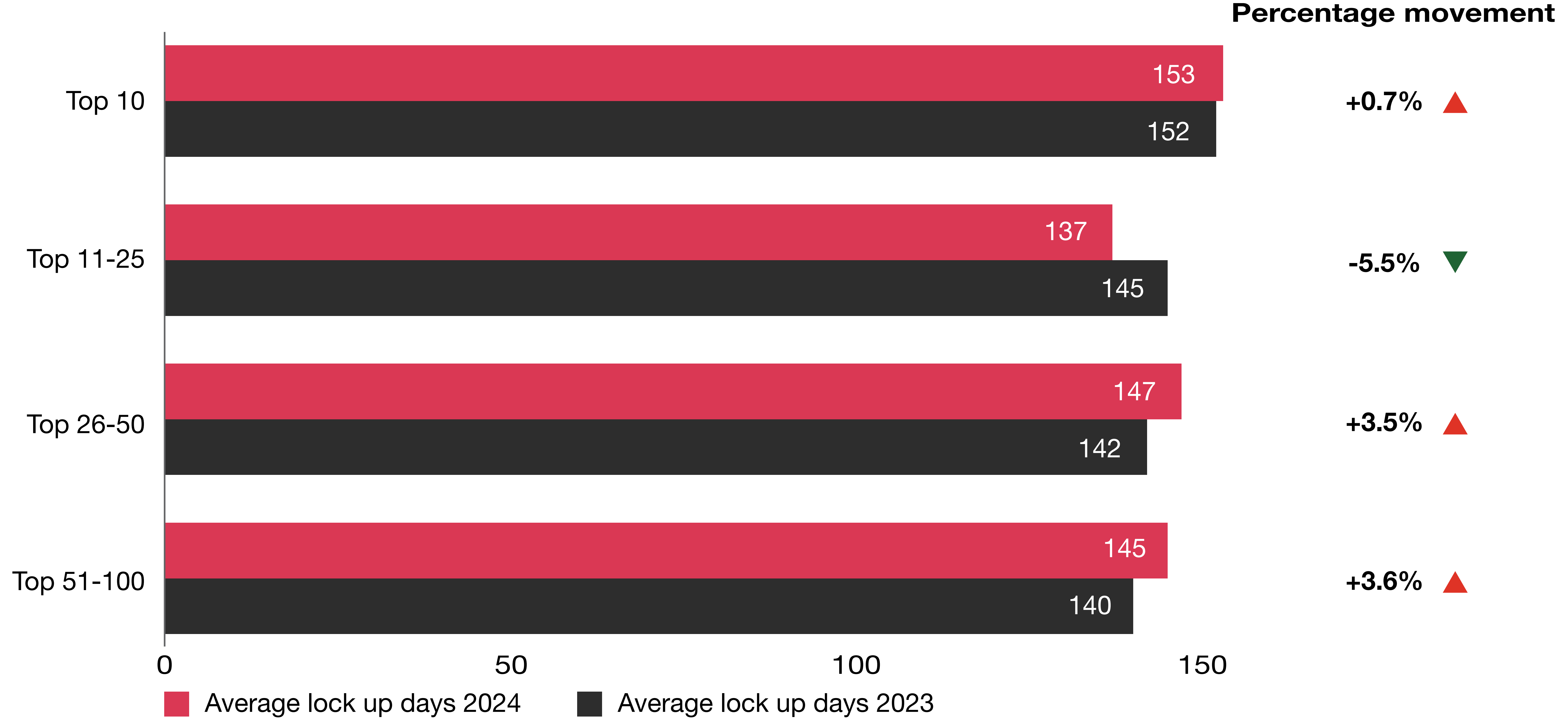
In last year's survey, working capital improvement was identified as a priority source of incremental funding. There has been very little progress made towards this goal. While fee income and bottom line performance remain strong, now is not the time for lock up complacency given the need for investment.

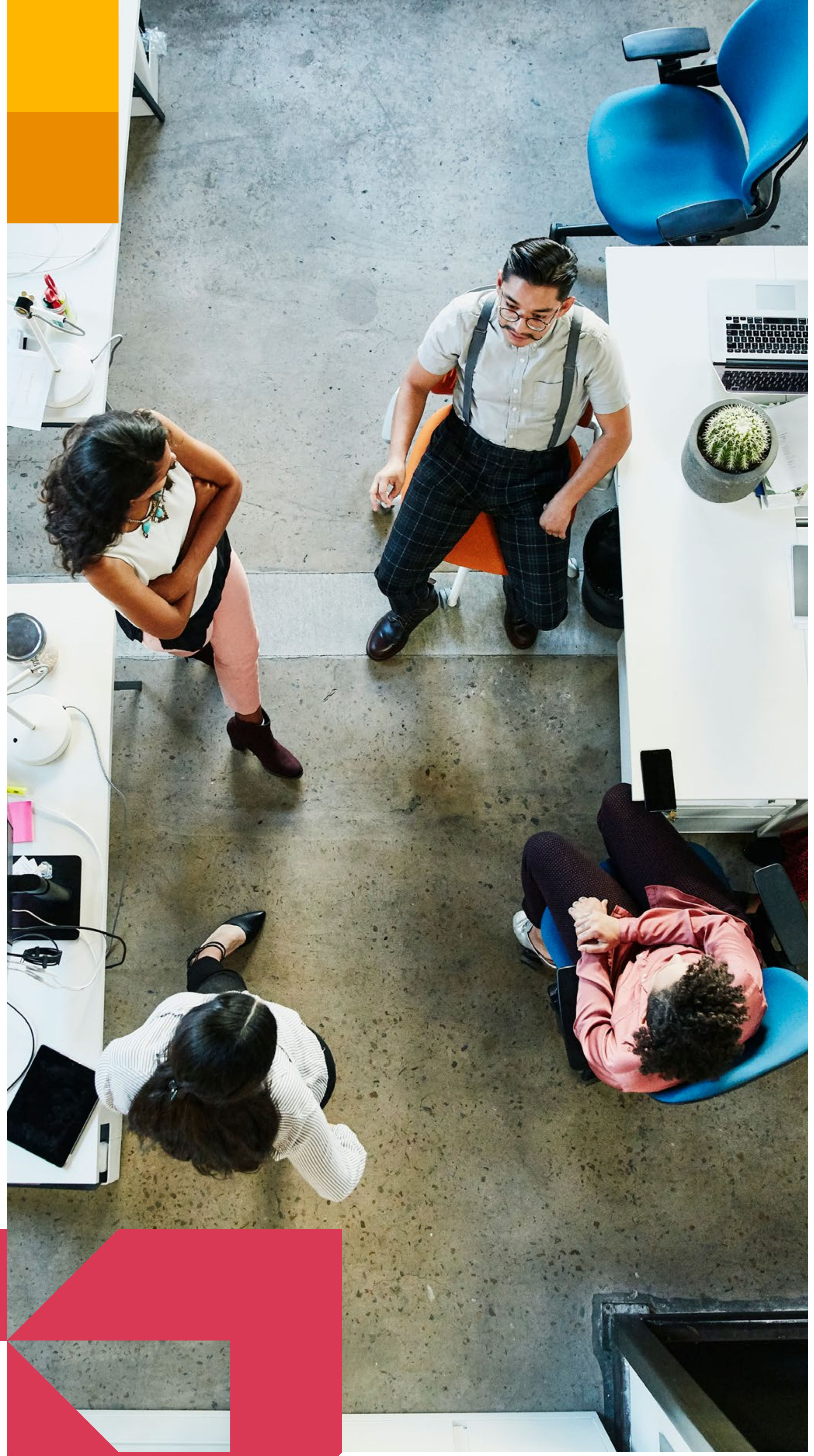
UK average lock up days remained stubbornly high, with the Top 11-25 firms being the only banding to record an improvement on last year (down 8 days to 137). There was a deterioration in all other bandings, as follows: (i) Top 10, up 1 day to 153; (ii) Top 26-50, up 5 days to 147; and (iii) Top 51-100, up 5 days to 145.

It is typical to see a contrast between year end and average lock up performance due to a 'dive to the line' approach leading up to the year end date. However, the gap between year end and average lock up has continued to increase, yet again. The Top 10 has the largest gap at 30 days, with average lock up days being nearly 25% greater than year end. The gaps in the remaining Top 100 bandings are around 20 days and 17%.

The continued reliance on year end billing and collections heroics suggests that firms need to embed the fundamental building blocks of working capital performance. With the cost of capital expecting to normalise at high levels over the next three years (as highlighted in PwC's 2024 Global Working Capital Study) there is a very strong business case to invest in the development of a cash culture.

Average lock up days: 2024 vs 2023





A step change in performance requires each element of the contract to cash cycle to be addressed. While changing behaviour takes time, there are opportunities to unlock value at pace. For instance, complete, accurate data capture at matter inception, commercial terms and billing models that protect cash, meaningful targets, incentives and effective operational processes powered by technology all have a role to play.

Here are some of the ways firms can unlock cash fast:

- **Accountability for performance** – establish clear roles for practice and finance teams alike. Deploy self service reporting with KPIs that everyone understands to provide visibility on performance and raise awareness.
- **Leverage specialist managed services** – tap into specialist processes and capabilities from a third party. For example, a managed service can serve as a catalyst for reducing and sustaining low debtor days and inject leading practices from the wider corporate arena.
- **Harness the power of data and technology** – augment practice management system capability with best of breed CRM, timekeeping, billing and collections solutions. Firms can accelerate speed to value by working with a partner to tailor automation and vary practical use cases for GenAI to law firm specific requirements.

It is imperative that ambitions to improve working capital are backed up by concrete plans and action. Otherwise, cash pressure will continue to build.

Despite poor lock up performance and external cash pressures, all bandings reported similar levels and timings of partner profit distributions compared to prior year. Strong financial performance this year will have alleviated some of the cash pressure but has perhaps hidden some operational working capital shortcomings that now need to be addressed.

Basis period reform is here and law firms will start to feel the impact of this in the coming months and years ahead. A number of firms have already taken certain actions to help fund basis period reform; for example, half of Top 10 and 11-25 firms have made a capital call from partners and sourced external funding respectively.

Looking forward, with certain measures already put in place as described above, 'Improved working capital' is the key focus for generating further cash, with 77% of the Top 100 including this as one of their top two future plans to fund basis period reform.

The second and third most common plans are 'External funding' and 'Capital call from partners', with 38% and 37% respectively selecting these as part of their top two actions. This trend aligns with the increasing investor interest in the legal services sector.

The nearness of payments required under basis period reform re-emphasises the importance of really getting to grips with working capital management. If this does not happen, additional capital calls and external funding may be the only choice facing a significant number of law firms.

Also in response to basis period reform, a number of law firms outside the Top 10 have either changed their year end, or have plans to do so; (i) Top 11-25; 21%; (ii) Top 26-50: 21%; and (iii) Top 51-100: 33%. No Top 10 firm has changed, or is planning to change, their year end. This is expected based on the more complex structures of these larger firms, along with the cost and administrative burden of such a change.

Business support

'Improving working capital performance' remains the number one priority for business support for the second year running.

The next two key areas of focus are 'Standardising and Centralising Process' and 'Improving Legal Service Offering'. Both of these come under the banner of improving IT and in that respect we are already seeing some routine lawyer tasks becoming more automated, along with the introduction of chatbots to drive process efficiencies. We have also covered more extensively in the earlier 'Strategy and Transformation' section, the extent of current and potential future changes from emerging technologies, such as GenAI.

50% of the Top 10 included 'Cost reduction' as a top three priority. It is likely these larger firms see cost reduction as vital for at least maintaining their profitability, and allowing them to offer competitive pricing, in what remains an increasingly competitive market.

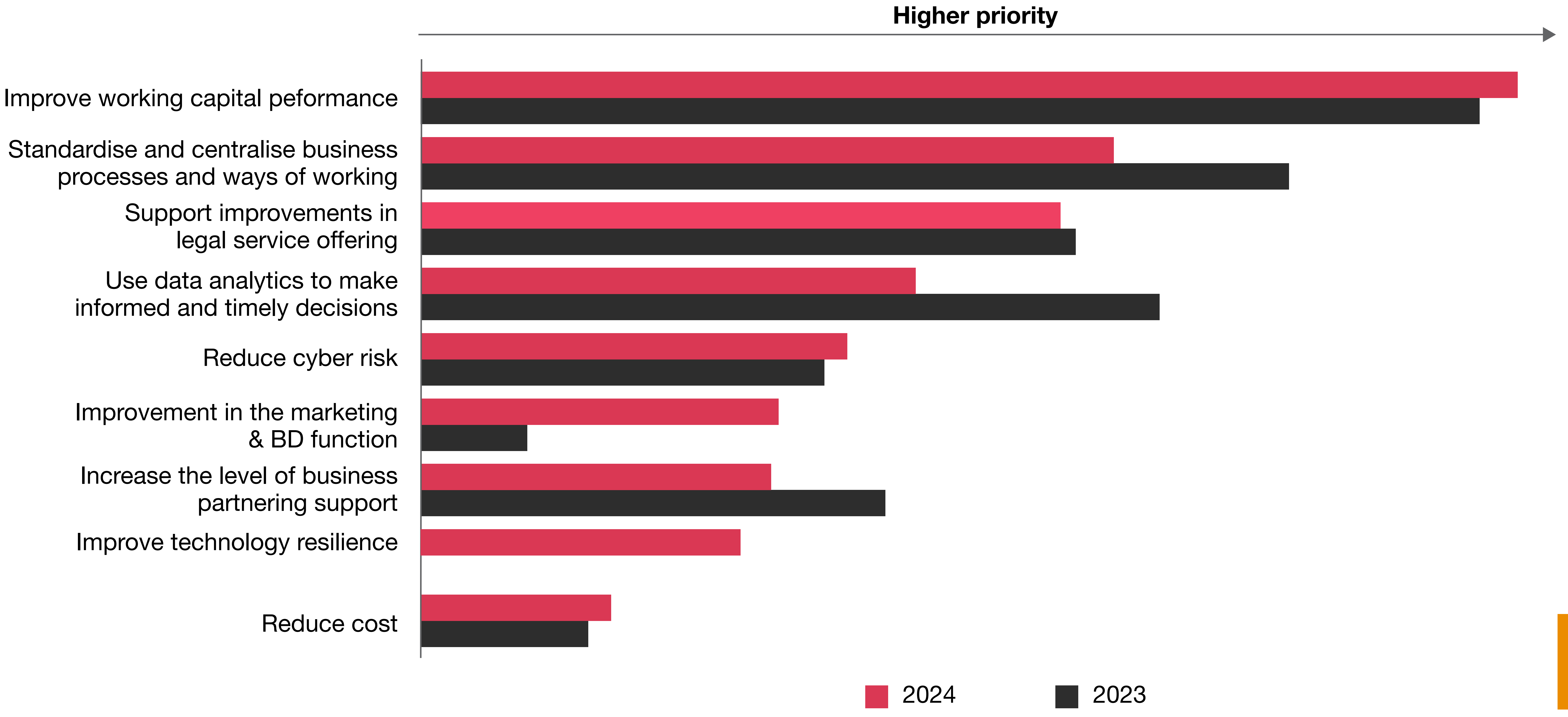
We asked a series of new questions this year about the transformation work in support functions that firms are looking to undertake in the next 1-2 years. IT and Finance are the most likely functions to be subject to such an exercise, being selected by 53% and 47% of Top 100 firms respectively.

A majority of Top 10 firms are looking to undertake work across most functional areas, with finance, HR, IT, Marketing and BD, Procurement, Knowledge management and Risk all expecting to undergo a transformational exercise soon. This supports the current focus of larger firms on standardising their processes and integrating Gen AI into their businesses.

IT spend continues to increase across the legal sector. Even with rises in headcount across most firms, IT spend per user has grown again this year in all bandings except the Top 26-50 (consistent at £9.8k per user). Top 10 and 51-100 firms recorded the largest increases of 11.4% (to £16.6k per user) and 11.0% (to £10.1k per user) respectively.

We expect IT spend to continue to increase as more firms invest in technology with the aim of improving efficiency in product delivery. Supporting this are the top three IT strategic priorities for the next two years. The top priority is 'Cloud modernisation and migration', with 'Introducing emerging technologies' and 'Data strategy/unified data platform development' coming joint second.

Top priorities for business support over the next twelve months (Top 100 firms)



There is still a huge amount for firms to do to modernise their technology estate and operating model across key applications – Practice Management, Document Management, Client Relationship Management, HR systems and Data platforms. This includes one third of Top 100 firms that hold at least 50% of their data on-premises.

A number of firms are expected to undertake a system transformation project in the next 1-2 years. The key focus systems across the Top 100 are CRM (60%), PMS (49%) and HR (42%).

In the Top 10, 100% said they are going to complete a CRM focused project in the next 1-2 years. This has been a clear area of focus for firms to drive greater client centricity powered by platforms like Peppermint and Salesforce.

Critically though, approximately half of Top 100 firms that had implemented CRM were unsatisfied with the business outcomes. This shows the critical nature of having a clear engagement, change and adoption plan developed by working closely with partners and fee earners- a ‘do with us and not to us’ mentality.

We also asked firms about their expected spend, over the next three years, as a percentage of revenue on data strategy and/or a unified data platform. The weighted average for the respondents was 1.6% of revenue and this ranges from £1m in Top 51-100 firms, up to £23.6m in Top 10 firms. This will likely be the biggest area of new spend over the coming period. It is essential that firms plan and execute their investments well to support the broad themes in this report around GenAI.

Despite the increase in IT investment over recent years, many firms are still unable to deliver the pace of technological change, get the best use of technology once implemented or drive long term adoption. Board and Executive Committee level buy-in, along with an underlying understanding of these technologies and how they deliver success, is essential to drive change.

Cyber risk

Cyber security continues to be front of mind for law firm boardrooms. Throughout 2024, law firms have continued to represent a prime target for threat actors, in large part due to the highly sensitive and valuable client information they possess.

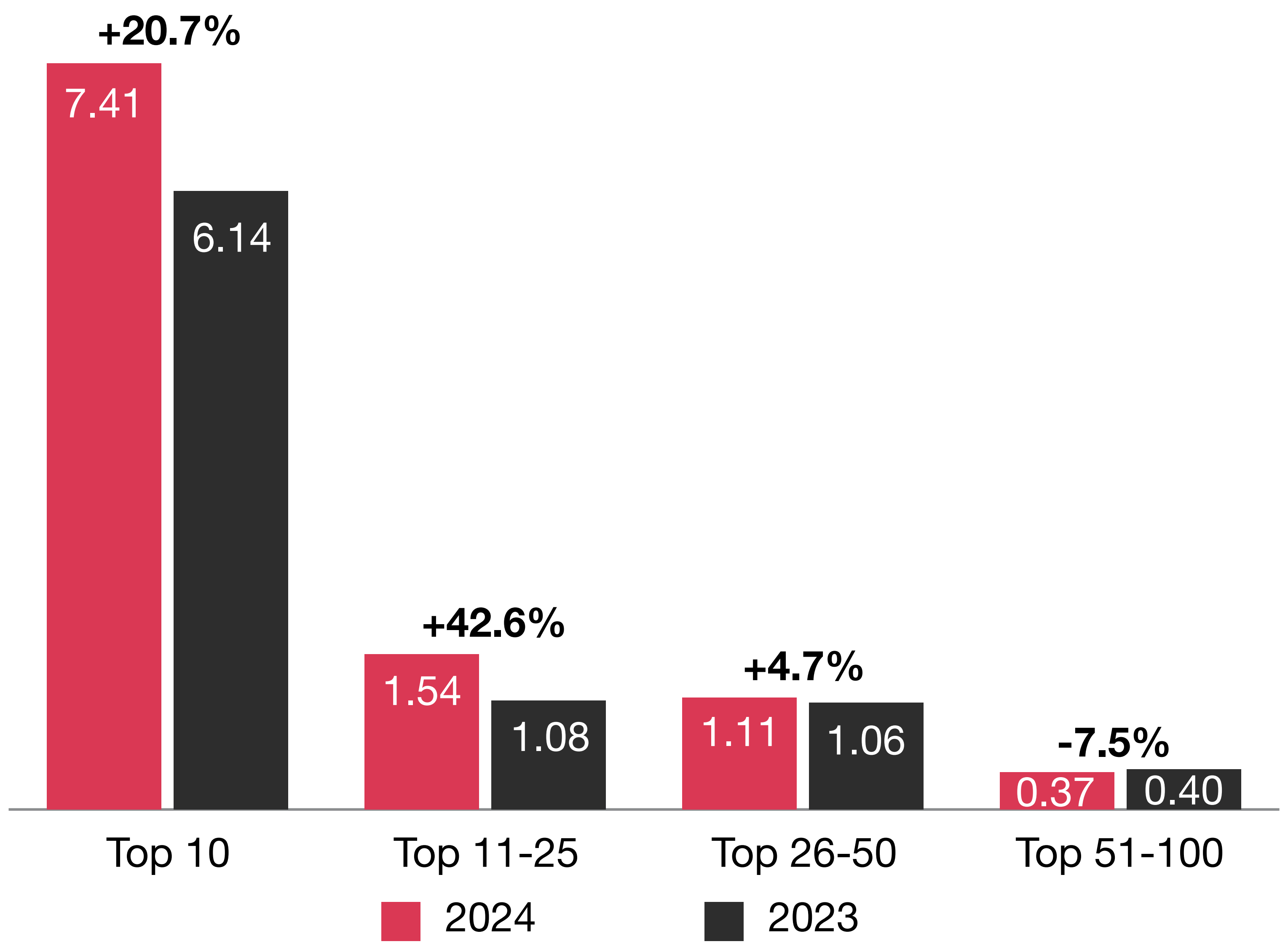
This year, cybercriminals have increasingly employed techniques such as AI-powered phishing, automated ransomware, and supply chain attacks to exploit vulnerabilities within various organisations, including law firms. The legal sector's reliance on digital communication and storage amplifies risks, making robust cyber security measures essential.

Law firms face potential reputational damage, financial loss, and legal repercussions if client confidentiality is compromised, meaning proactive strategies including employee training, data encryption, regular security audits, and incident response planning are critical to limiting the likelihood and impact of threats.

The response to this year's survey supports the validity and seriousness of cyber risk, with 90% (85% in 2023) of the Top 100 firms confirming they are extremely or somewhat concerned that cyber threats will stop them from meeting future business objectives.

These concerns were already at a high base and continue to rise, contributing to an increase in cyber security spend across all bandings in the Top 50 firms; (i) Top 10, up 20.7% to £7.4m; (ii) Top 11-25, up 42.6% to £1.5m; and (iii) Top 26-50, up 4.7% to £1.1m. We do note a 7.5% reduction in cyber security spend by Top 51-100 firms (to £0.4m), which is a contrasting, and worrying, trend compared to the rest of the sector. We suspect these firms will be currently reflecting on what they need to do to ensure their cyber security systems are robust with a potential increase in this cost in future years.

Average Cyber Security Spend (£'m)



While cyber budgets continue to increase, there is still a significant challenge in obtaining and maintaining a cyber workforce with the technical skills and experience to successfully drive the delivery of a cyber security strategy. This speaks to the importance of security leaders articulating the need for continued investment to their board, commensurate with the evolution of the sophistication of threats.

Supply Chain Risk Management (SCRM) is a key area that law firms need to increase their focus on. Law firms often have complex supply chains, with sensitive data being handled by others in their supplier and partner ecosystems. A breach in the supply chain can lead to both disruption and an inability to operate, as well as potential loss of sensitive data. Of the Top 50 firms, 46% reported at least one supply chain attack over the last 12 months, with 80% of those reporting more than one occurrence.

Third parties also bring the complexity of additional regulations, with technology partners and clients from different industries and geographies requiring their own supply chain to be compliant. By strategically managing supply chains, law firms can use external expertise and resources to improve their operations and better serve their clients, but robust SCRM processes need to be in place to mitigate associated risks.

Business Continuity Plans (BCPs) are another essential control for ensuring an organisation can maintain operations and quickly recover from data breaches and system outages, limiting the financial impact and potential damage of incidents. Testing these plans is a vital activity to validate the effectiveness of an organisation’s strategy to actively handle disruptions. Top 10 firms reflect this with 100% (2023: 67%) now performing such exercises annually.

These exercises typically expose addressable challenges, such as internal communication friction and the speed of detection/escalation. They also provide an important platform for CIOs/CISOs/cyber leaders to obtain a profile with the board, demonstrating the importance of strong security and continuity controls.

It is concerning that a number of firms outside the Top 10 are not performing these tests annually, being 14% of the Top 11-25; 21% of the Top 26-50; and 33% of the Top 51-100. This increases the magnitude of impacts from incidents due to unpreparedness.

Phishing attacks and employee errors remain the most frequent instigators of security incidents with 100% of Top 10 firms and 79% of Top 11-25 firms experiencing data breaches or system outages unintentionally caused by employees and/or through successful phishing attacks.

This statistic speaks to the importance of incorporating 'human cyber risk' into the cyber strategy of law firms to build greater cyber resilience. Firms need to ensure that employees are appropriately trained on cyber hygiene practices, particularly phishing awareness, especially as AI attacks are becoming more prominent, personalised and flawless. Employees should be informed on the common social engineering techniques that might be deployed to steal user credentials or infect their systems with malware. Contextualising the impact of these incidents and introducing cyber related metrics for staff are other techniques that can be successful in increasing their buy-in, bringing awareness to the importance of good cyber hygiene.

02

At a glance

Global financial performance

01

Global financial performance

Global headcount

- Top 25 global law firms continue to invest in their headcount.
- Top 10 firms increased partner headcount by 6.2% (2023: down 2.0%) and the Top 11-25 (on a like for like basis in respect of all headcount statistics) saw partner numbers rise by 2.8% (2023: up 7.3%).
- There was a 7.9% (2023: down 1.2%) and 5.8% (2023: up 7.3%) increase in fee earners (including partners) for Top 10 and 11-25 firms respectively.
- The increase in business support staff was not to the same extent as fee earners; up 3.3% (2023: up 1.7%) in Top 10 firms and up 4.4% (2023: up 11.8%) in Top 11-25 firms.

Global fees

- Top 10 firms posted an average increase in global fees of 8.0% (2023: 7.8%), whilst Top 11-25 firms achieved growth of 9.0% (2023: 12.3%).
- Fee income growth was achieved by 100% of Top 10 firms and 88% of Top 11-25 firms.
- The range of fee income growth in Top 10 firms was from 2.5% to 13.4%.
- In Top 11-25 firms, the fee income movement ranged from a decrease of 1.2% to an increase of 16.1%.
- The source of fee income growth in Top 10 and 11-25 firms was: (i) Top 10: 58% from UK; 42% from international offices (including the minor impact of foreign exchange rates); and (ii) Top 11-25: 67% from UK; 33% from international.

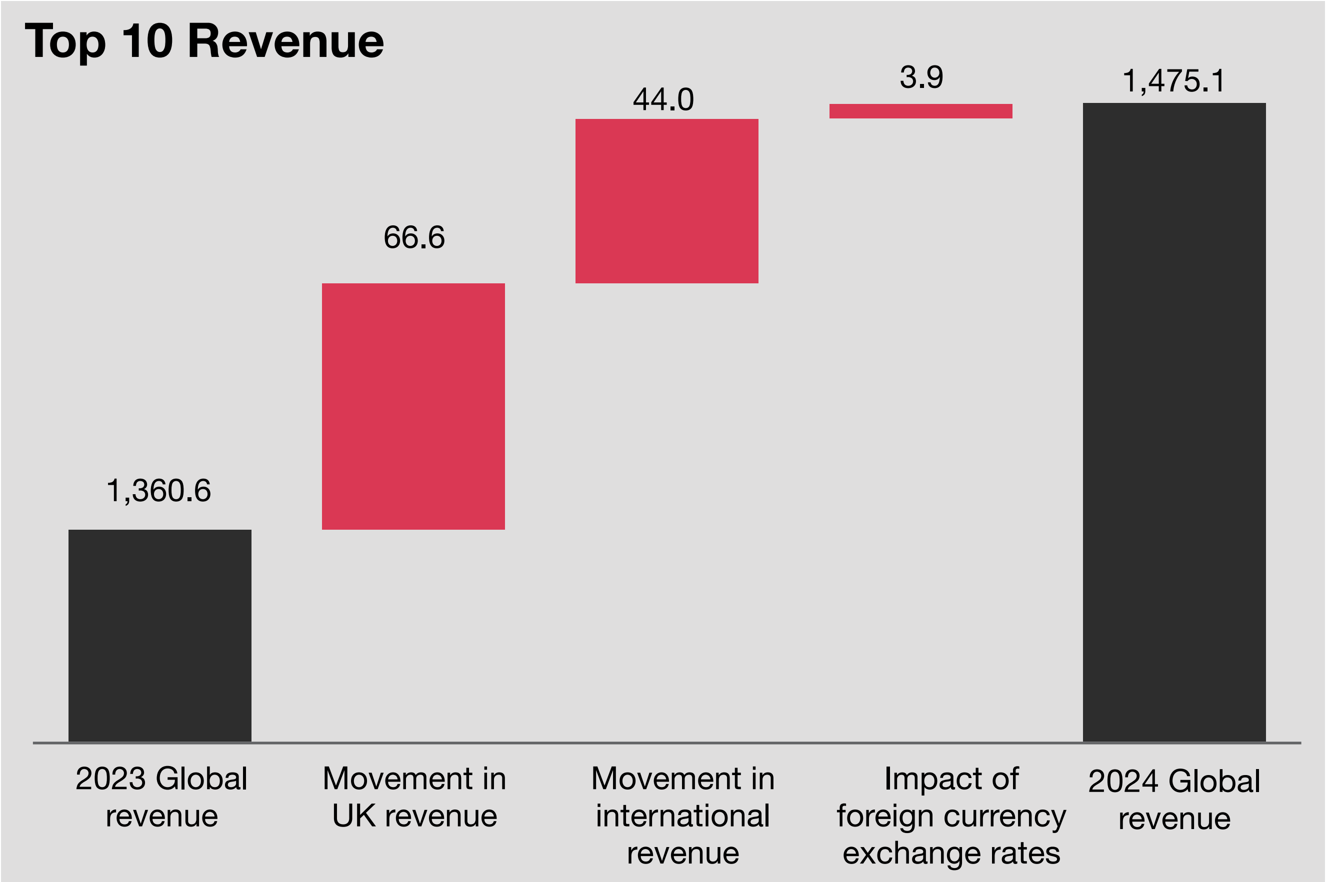
Global profits

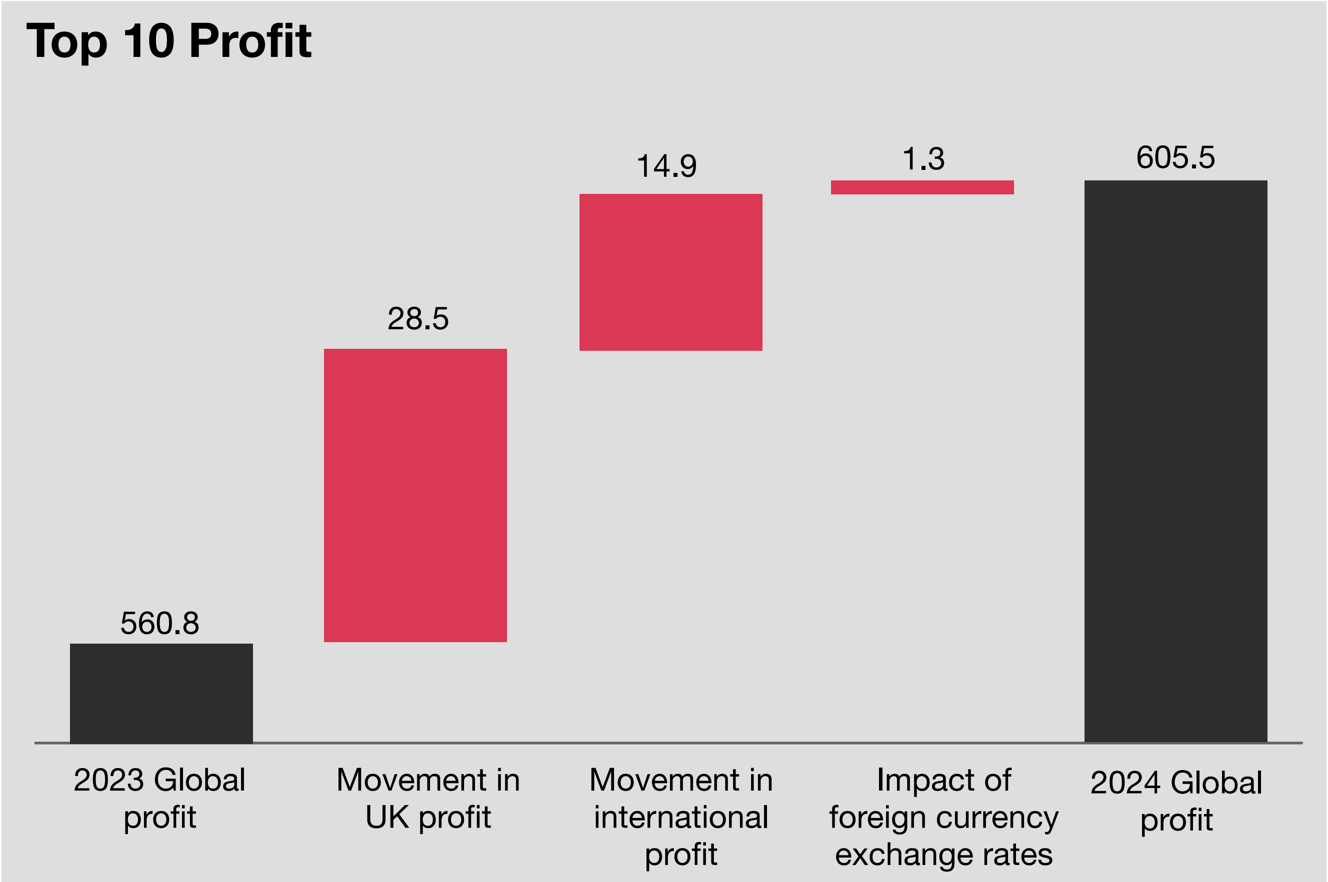
- Top 10 firms achieved growth in profit (before full and fixed share equity partner remuneration) of 7.6% (2023: 2.7%), which is 0.4pp short of fee income growth.
- Profit growth in Top 11-25 firms was 7.2% (2023: 5.8%), which is 1.8pp behind fee income growth.
- Profit growth was achieved by 86% of Top 10 and 88% of Top 11-25 firms.
- The range of profit movements in Top 10 firms was from a decrease of 4.3% to an increase of 17.4%.
- Top 11-25 firms' range of profit movements was from a fall of 2.7% to an increase of 19.2%.
- UK profits in Top 10 and 11-25 firms grew by 11.5% and 9.8% respectively, whilst international offices fell well short of this, with an increase of 5.2% and 0.4%.
- The source of profit growth in Top 10 and 11-25 firms was: (i) Top 10: 64% from UK; 36% from international offices (including the minor impact of foreign exchange rates); and (ii) Top 11-25: 96% from UK; 4% from international.
- Global net profit margins (defined as profits before full equity and fixed share equity remuneration as a proportion of fee income) remain very similar to prior year at 39.6% (2023: 39.5%) in Top 10 firms and 35.2% (2023: 35.4%) in Top 11-25 firms.
- The range of global net profits margins in (i) Top 10 firms was 33.1% to 48.4%; and (ii) Top 11-25 firms was 27.0% to 43.3%.

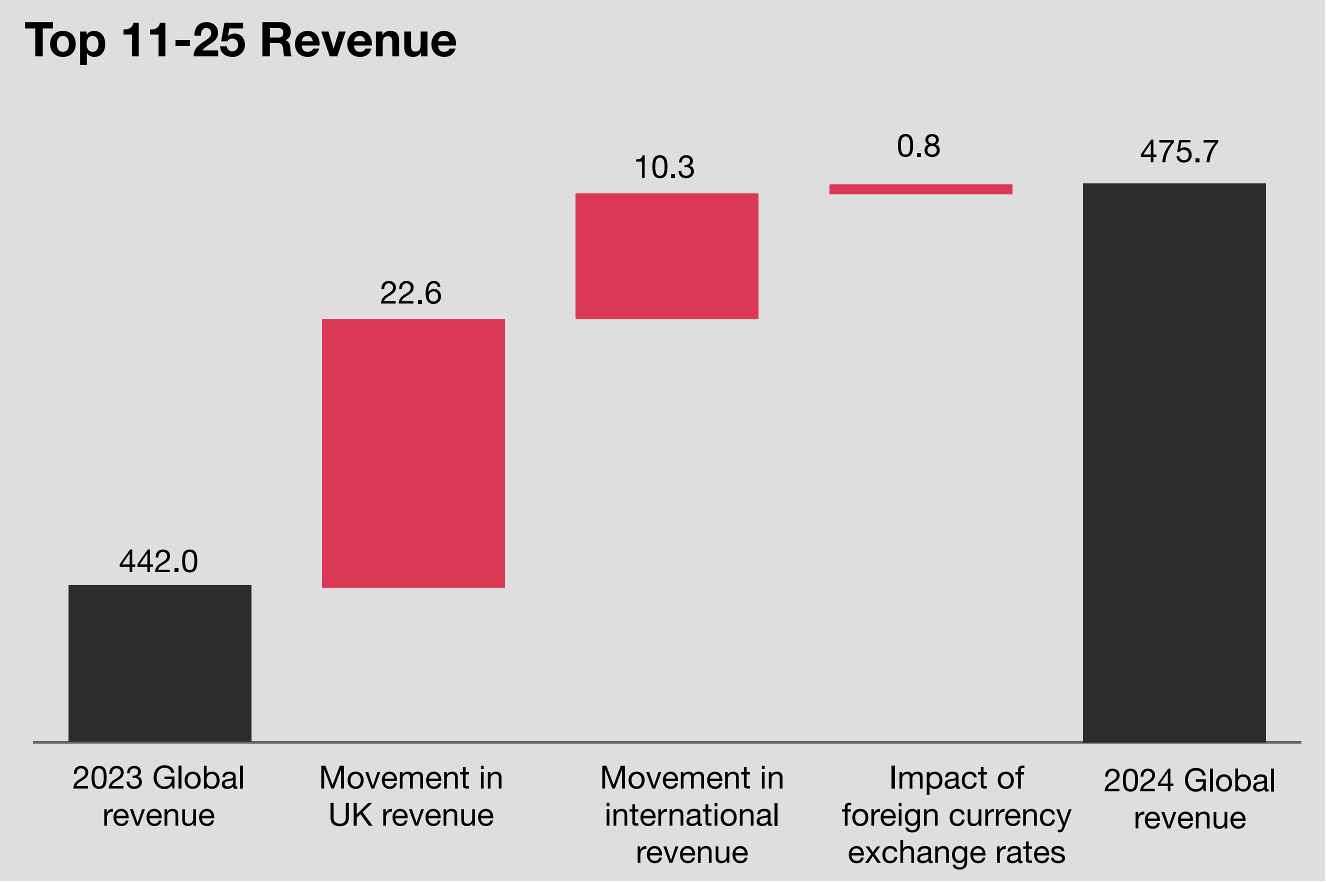
International analysis

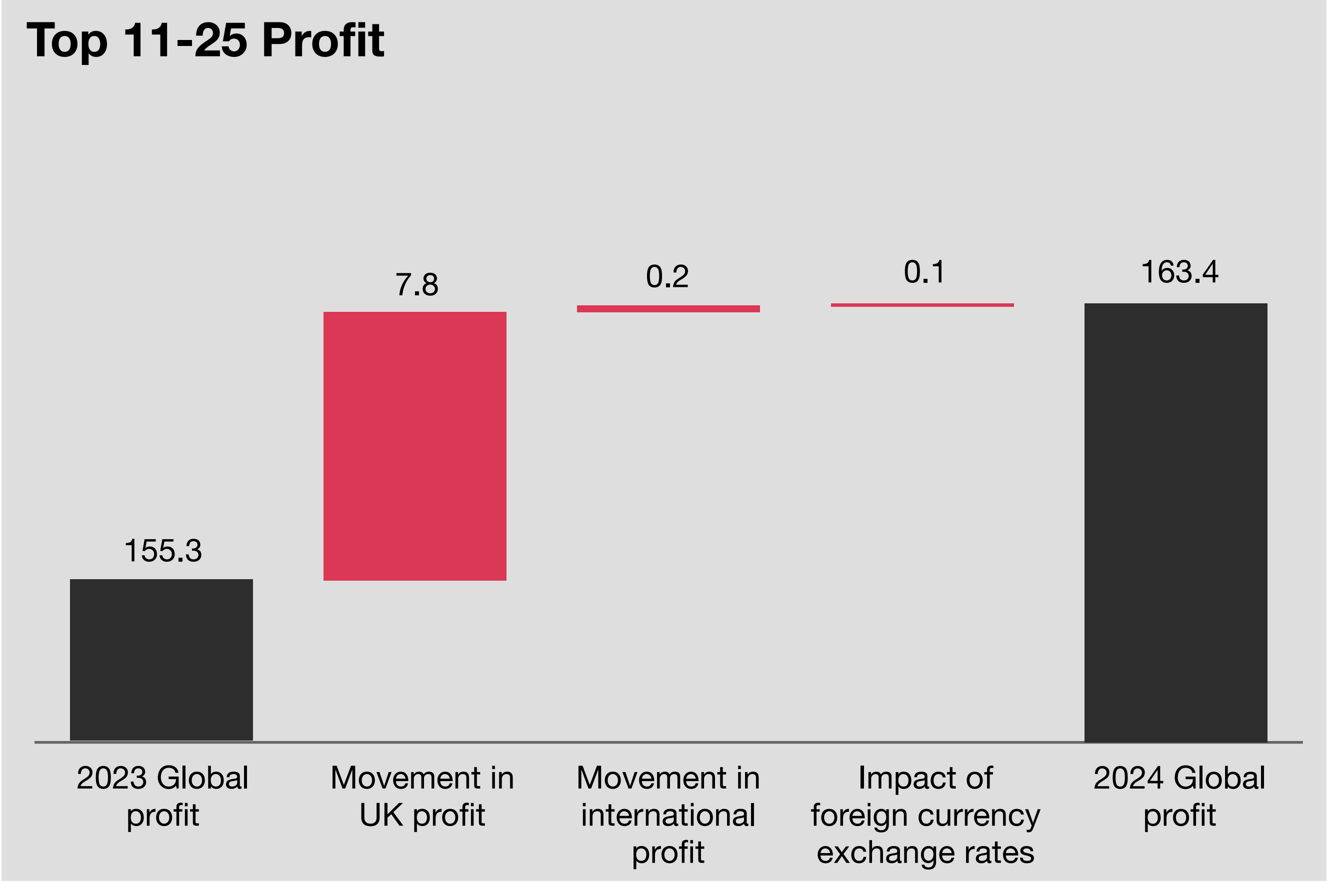
- There has been a mix of performance in respect of international net profit margins (profit before full equity partner remuneration), with Top 10 firms improving margins in Central & Eastern Europe, Western Europe and Rest of Asia and Far East; however, there were falls in Middle East, China, USA, Australia and Africa.
- Top 11-25 firms grew international net profit margins in Central & Eastern Europe, Middle East, China, USA and Australia; with falls experienced in Western Europe and Rest of Asia and Far East.
- The best performing regions, from a net profit margin perspective, in Top 10 firms were Western Europe (37.7%), Africa (34.9%) and Rest of Asia and Far East (34.2%).
- For Top 11-25 firms, it was USA (22.8%), Central & Eastern Europe (21.0%) and Australia (19.8%).

Global fee income and profits: Source of growth

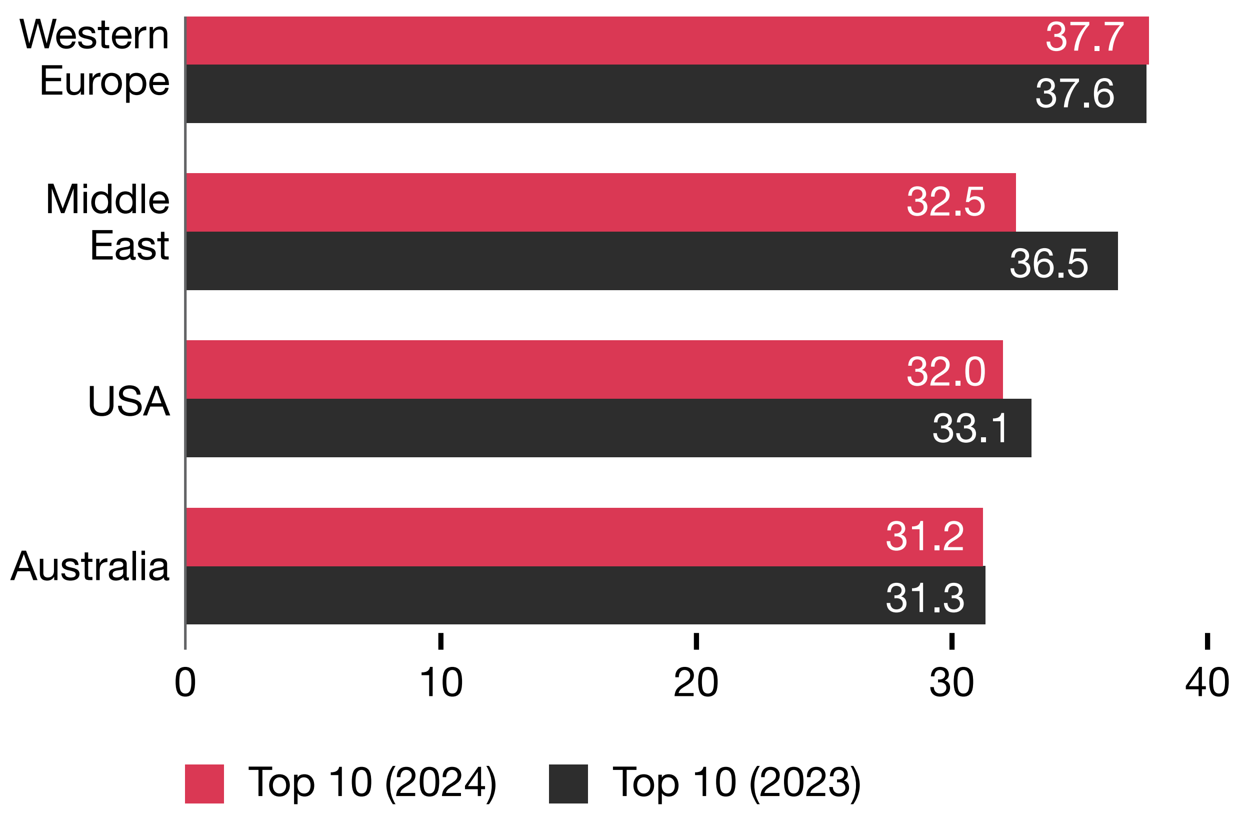


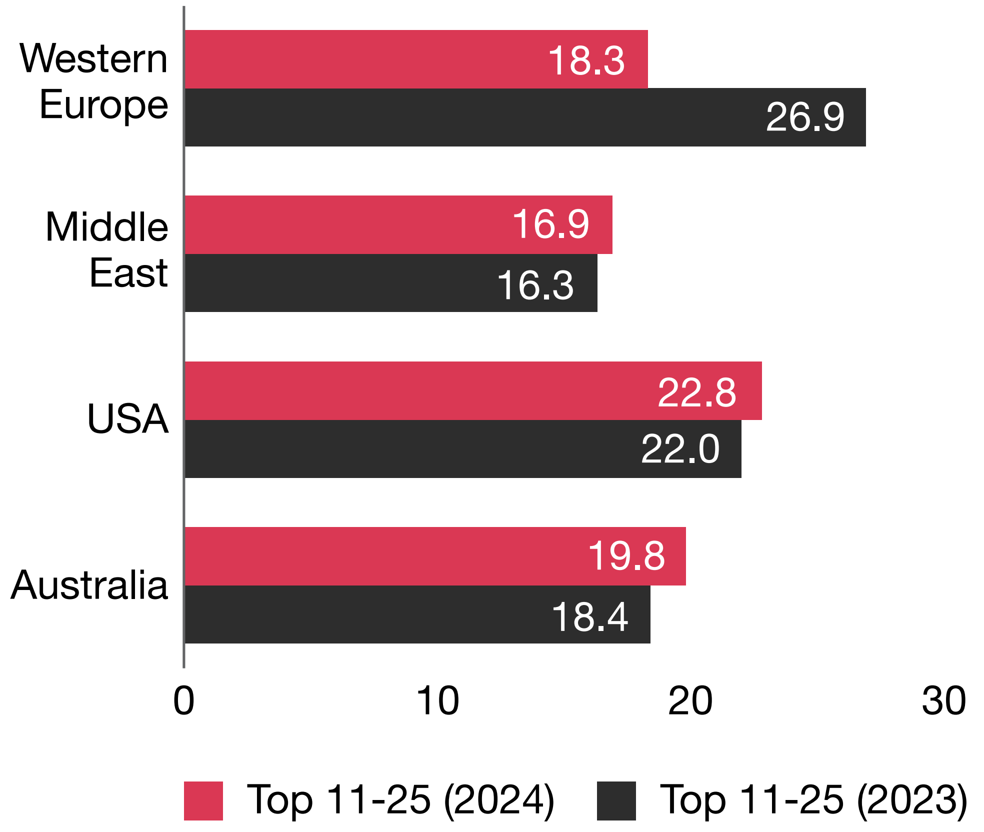






International net profit margins by key locations





UK financial performance

02

UK financial performance

UK Fees

- Average UK fee income growth across the Top 100 firms was 11.6%, compared to 8.6% in 2023 and 9.1% in 2022.
- All bandings, on average, experienced fee income growth, ranging from 9.8% in Top 11-25 firms to 12.5% in Top 51-100 firms.
- Across the Top 100, 97% (2023: 95%) of firms increased fee income, with many firms achieving double digit growth (55% vs 35% in 2023).
- All bandings increased fees per fee earner, but this was most prominent in Top 10 firms where 9.0% growth was achieved to £580k. The increases in the remaining bandings were: (i) Top 11-25: up 3.4% to £355k; (ii) Top 26-50: up 3.7% to £275k; and (iii) Top 51-100: up 5.1% to £214k.
- All bandings increased fees per chargeable hour: (i) Top 10 up 4.7% to £449, (ii) Top 11-25 up 4.2% to £325, (iii) Top 26-50 up 3.7% to £280 and (iv) Top 51-100 up 6.9% to £247.

UK fee income write-offs

- There has been a slight deterioration in the level of UK fee income write-offs across Top 100 firms.
- The number of firms experiencing fee income write-offs below 10% across Top 100 bandings, is as follows: (i) Top 10: 17% (2023: 34%); (ii) Top 11-25: 50% (2023: 65%); (iii) Top 26-50: 26% (2023: 30%); and (iv) Top 51-100: 44% (2023: 45%).
- The number of firms posting write-offs of greater than 20%, is as follows: (i) Top 10: 17% (2023: 17%); (ii) Top 11-25: 0% (2023: 0%); (iii) Top 26-50: 22% (2023: 18%); and (iv) Top 51-100: 11% (2023: 6%).

UK cost

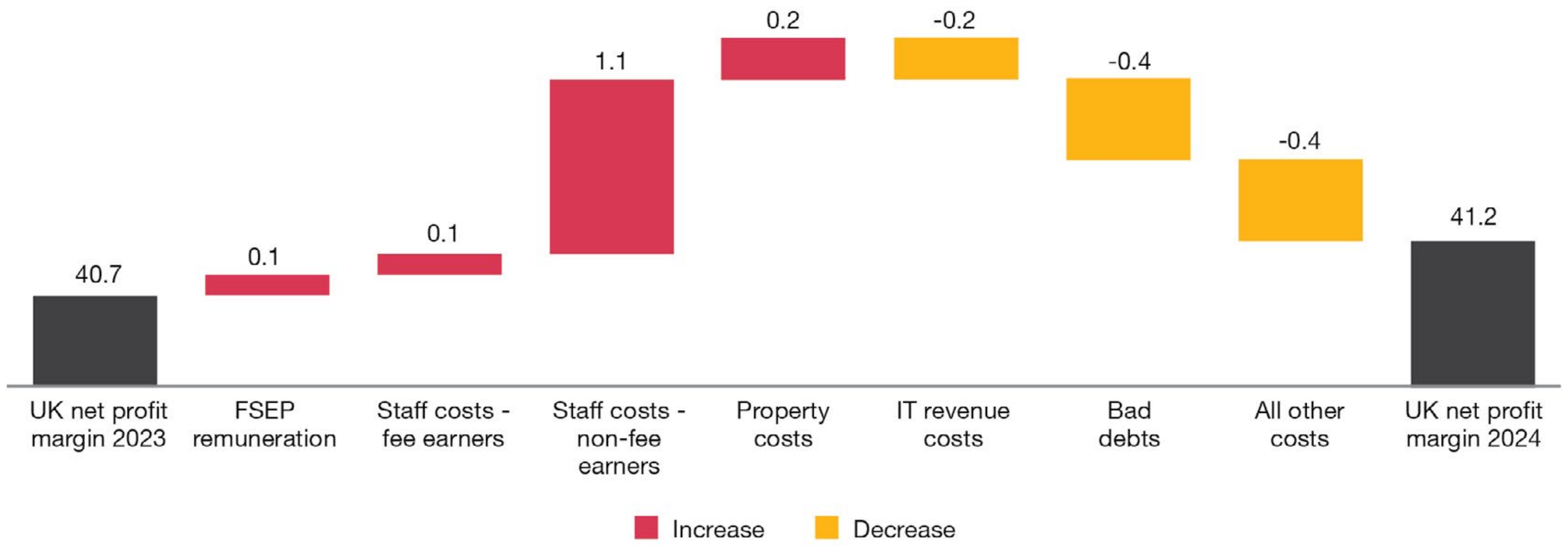
- The staff cost ratio (including fee earner and non-fee earners, but excluding fixed share equity partner remuneration, as a percentage of fee income), has fallen in the Top 10 (down 1.2pp to 35.9%) and in the Top 26-50 (down 0.4pp to 45.2%), whilst trending upwards in the Top 11-25 (up 0.3pp to 44.2%) and the Top 51-100 (up 1.7pp to 48.1%).
- Notably, the Top 10 fall was driven by savings in non-fee earner staff costs (down from 10.6% to 9.5% of fee income), whilst fee earner costs remained stable.
- Fixed share equity partner remuneration, as a percentage of fee income, is reasonably consistent with prior year for Top 10 (down 0.1pp to 2.1%) and 11-25 firms (up 0.4pp to 6.9%), with Top 26-50 firms increasing this ratio by 1.2pp to 9.5% and Top 51-100 firms reducing it by 1.2pp to 6.8%.
- All bandings in the Top 100 reduced their property cost ratio, as follows: (i) Top 10, down 0.2pp to 6.6%; (ii) Top 11-25, down 0.6pp to 6.2%; (iii) Top 26-50, down 0.3pp to 6.1%; and (iv) Top 51-100: down 0.9pp to 6.0%.
- There was limited movement across all other cost ratios, with the biggest movement being an increase of 0.4pp to 1.3% in respect of bad debts in Top 10 firms.

UK profit

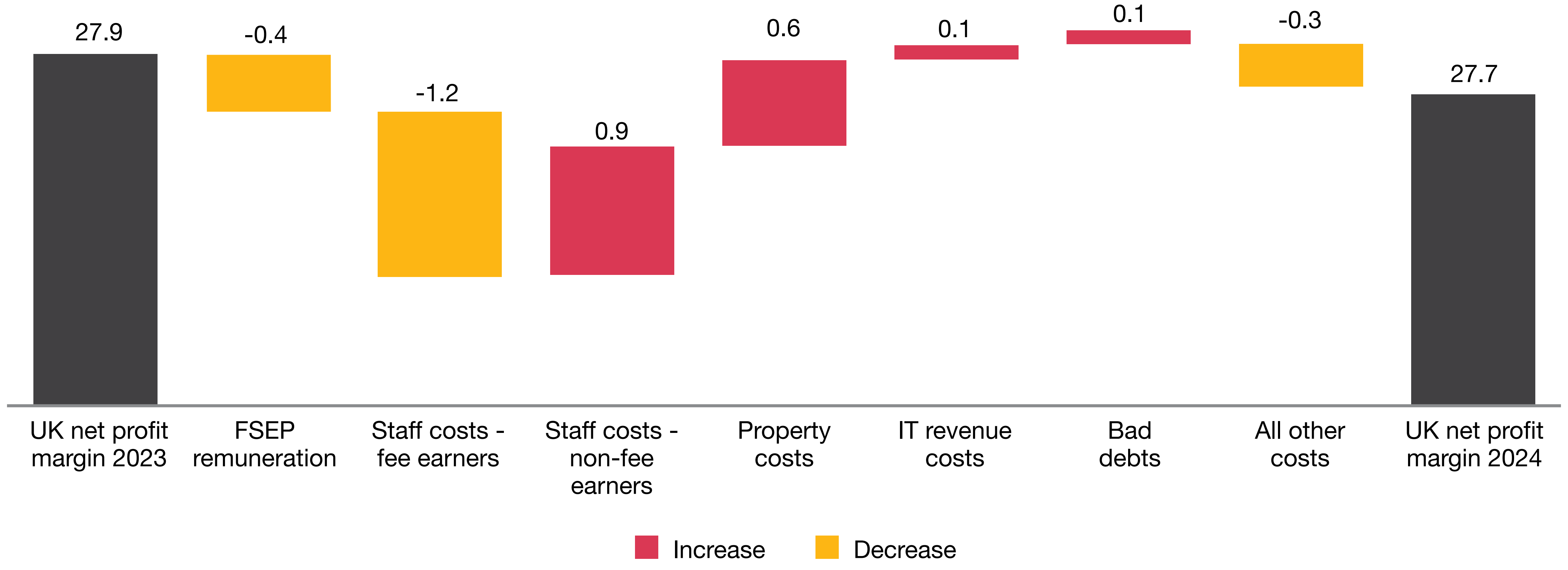
- Across the Top 100 firms, 84% recorded net profit growth, ranging from 78% of firms in the Top 51-100 to 93% in the Top 11-25.
- The range of movements in net profit was significant across all bandings, as follows: (i) Top 10: a fall of 6.5% to an increase of 29.3%; (ii) Top 11-25: a fall of 9.8% to an increase of 41.7%; (iii) Top 26-50: a fall of 9.1% to an increase of 47.1%; and (iv) Top 51-100: a fall of 16.2% to an increase of 51.7% (excluding a significant outlier that increased profit by 126.7%).
- All firms at the top end of the ranges referred to above reported a smaller profit base in 2023 in comparison to peers and also recorded falls in profitability last year.
- Average net profit margin remained the same or fell for the Top 11-100 bandings, as follows: (i) Top 11-25: down 0.2pp to to 27.7%; (ii) Top 26-50: same as last year at 25.2%; and (iii) Top 51-100: down 0.2pp to 23.5%.
- We note that the above movements on a like for like basis are: (i) Top 11-25: up 0.3pp; (ii) Top 26-50: up 0.7pp; and (iii) Top 51-100: down 0.2pp.
- Top 10 firms improved their average net profit margin by 0.5pp to 41.2%.
- All Top 100 bandings increased average profit per full equity partner (on a like for like basis), as follows: (i) Top 10, up 3.9% to £1,708k; (ii) Top 11-25, up 16.7% to £1,002k; (iii) Top 26-50, up 14.0% to £645k and (iv) Top 51-100, up 13.9% to £564k.

Net profit margin bridge: 2023 to 2024

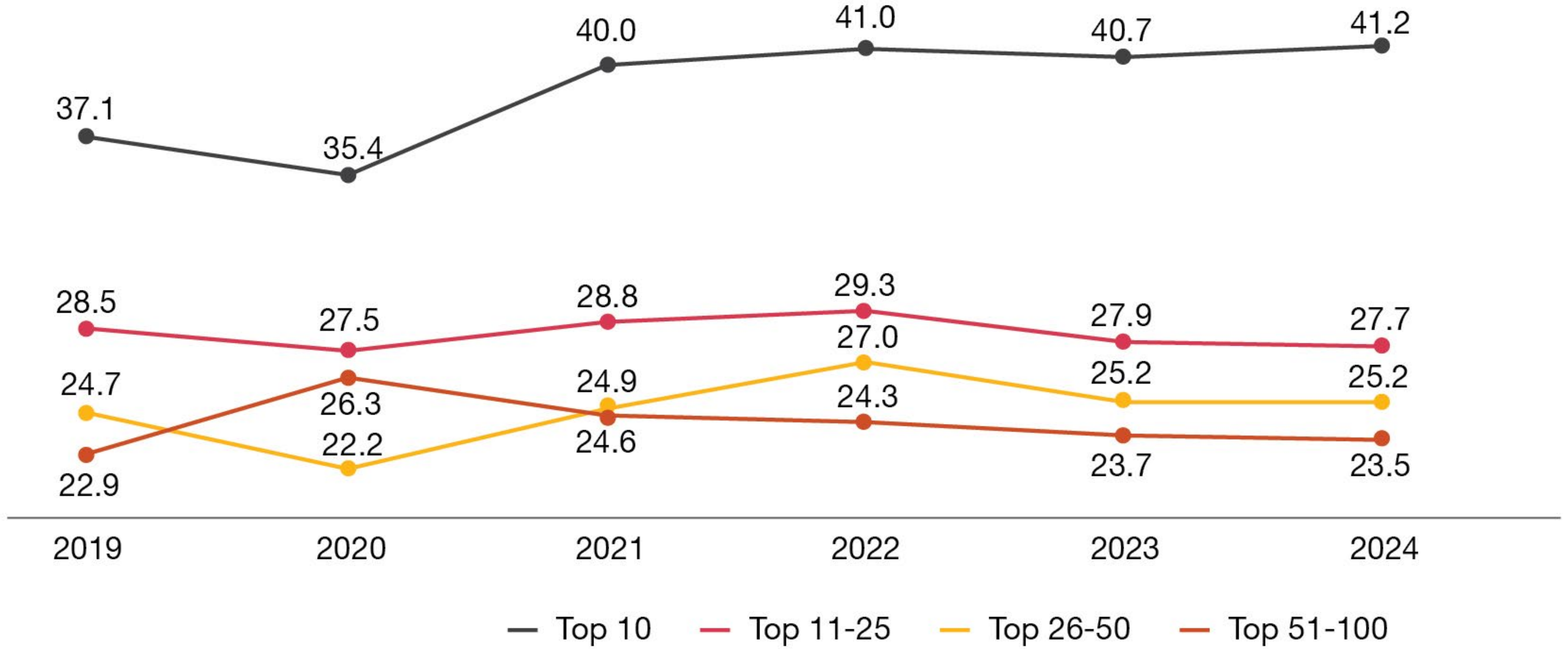
Top 10



Top 11-25



Movement in UK net profit margins: 2019 to 2024



Percentage point movement from 2019 to 2024:

Top 10: +4.1pp
Top 11-25: -0.8pp
Top 26-50: +0.5pp
Top 51-100: +0.6pp

Strategy and transformation

03

Strategy and transformation

Key concerns and challenges for law firms

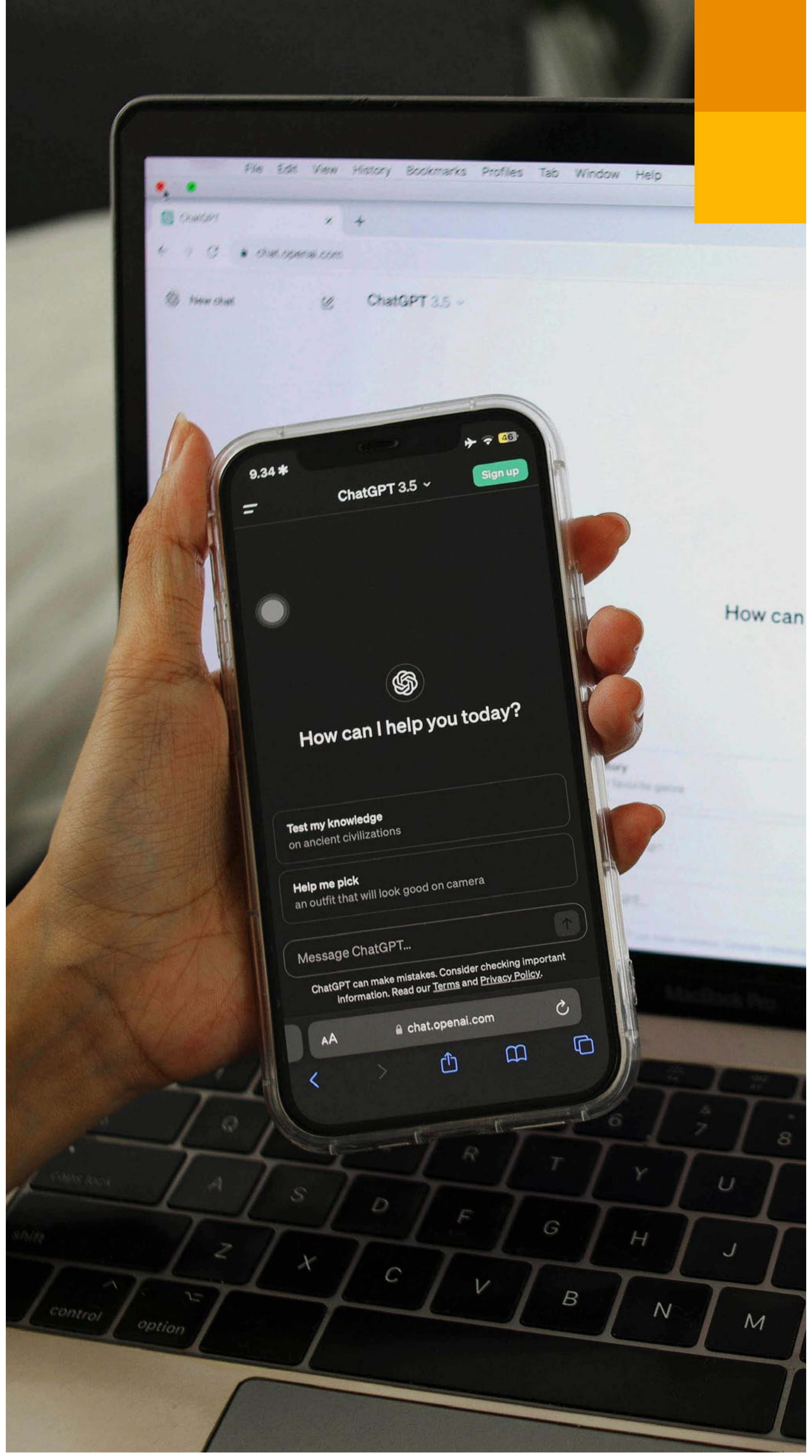
- The leading concerns facing Top 10 law firms are ‘macroeconomic volatility’ and ‘increased competition’, with 83% being extremely or somewhat concerned about these areas and they are followed by ‘speed of technological change’, ‘cyber risk’ and ‘geopolitical instability’ (67% for these three areas).
- Top 11-25 and 26-50 firms continue to consider ‘cyber risk’ as their top concern (93% and 100% respectively), followed by ‘geopolitical instability’ (71% and 74%) and ‘macroeconomic volatility’ (71% and 63%).
- In Top 51-100 firms, ‘cyber risk’ was also the top concern (83%) followed by ‘speed of technological change’ (61%), and ‘shortage of talent/staff churn’ (56%).

Organic growth strategies

- The key organic strategies Top 10 firms are actively pursuing are ‘commercial training for partners and fee earners’ and ‘innovative legal services solutions’ (100% for both), with a majority also actively pursuing ‘hiring key practitioners, relationship owners or rainmakers’ (83%), ‘increased governance on client acceptance and pricing’ (83%), ‘improvements in client and account management planning’ (67%) and ‘focused practice/service innovation’ (67%).
- The top three strategies in the Top 11-25 are focussed on ‘improvements in client and account management planning’ (86%), ‘commercial training for partners and fee earners’ (79%) and ‘innovative legal service solutions’ (79%).
- Top 26-50 and 51-100 firms are focused on ‘improving client and account management’ (79% and 78% respectively) and ‘hiring key practitioners, relationship owners and rainmakers’ (84% and 72%), with the Top 26-50 also very focused on ‘commercial training for partners and fee earners’ (95%).

Inorganic growth strategies

- M&A remains a key focus for law firms across the spectrum, with 100% of Top 10 firms stating they were considering or pursuing some form of M&A activity, compared to 79% in the Top 11-25, 68% in the Top 26-50, and 61% in the Top 51-100.
- ‘Tactical acquisitions to build scale in new geographies/practice areas’ is a key focus, with 100% of Top 10, 79% of Top 11-25, 58% of Top 26-50 and 56% of Top 51-100 firms considering at least one of these two options.
- ‘Lateral hires/team grabs’ continues to be a key inorganic growth lever that is being actively pursued or considered by 100% of Top 10, 26-50 and 51-100 firms, and 93% of Top 11-25 firms.



Transformation in support functions

- Top 10 firms are planning transformational programmes across the full range of support function areas, being 50% to 67% by function.
- There is less focus outside of the Top 10; in Top 11-25, ‘finance’, ‘procurement’ and ‘knowledge management’ are expected to be subject to a transformation exercise (57% of firms for all three areas).
- ‘Finance’ (47%), ‘’IT’ (47%) and ‘secretarial support’ (42%) are expected to be subject to a transformation exercise in Top 26-50 firms, while 61% of Top 51-100 firms will seek to transform their ‘IT’ function in the near future.

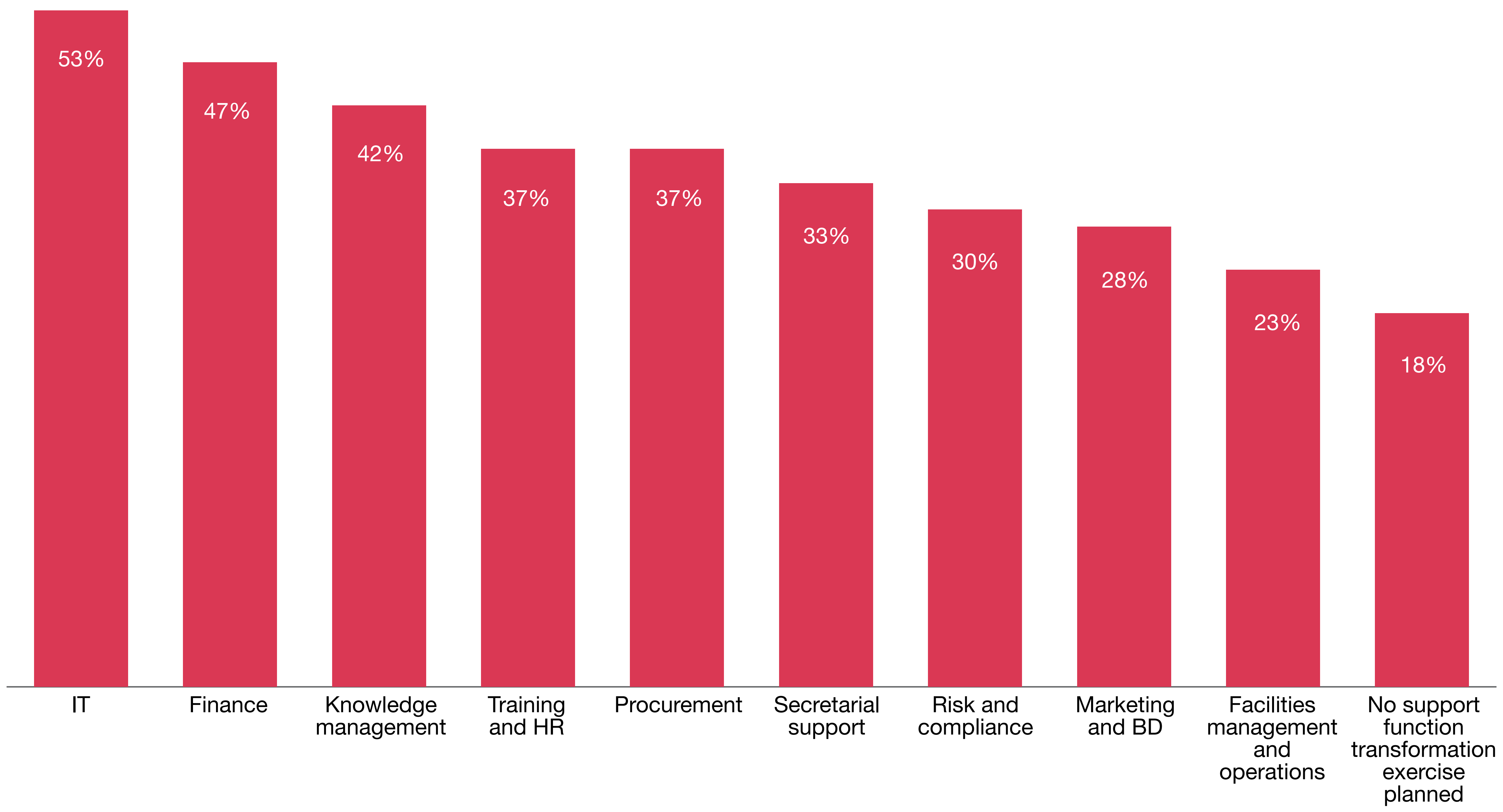
GenAI

- Larger law firms are substantially more positive regarding the impact of GenAI on the legal sector, with 83% of the Top 10 expecting the technology to lead to ‘increased productivity gains’ and ‘allow them to do more work for the same clients’, compared to 14%, 37% and 28% of the Top 11-25, 26-50 and 51-100 respectively.
- Whilst no Top 10 firm expects fee/price pressures from the adoption of GenAI, 50% to 54% of Top 11-25, 26-50 and 51-100 firms feel this is a likely outcome.
- Microsoft Copilot is the most popular GenAI tool to date across Top 100 firms, with 67% of Top 10, 28% of Top 11-25, 26% of Top 26-50 and 23% of Top 51-100 having implemented this technology either narrowly or widely.
- GenAI tools such as ChatGPT/Bard have seen limited use in law firms; 34% of Top 10 firms have implemented such tools narrowly or widely and this compares to 14% of Top 11-25, 27% of Top 26-50 and 11% of Top 51-100 firms.

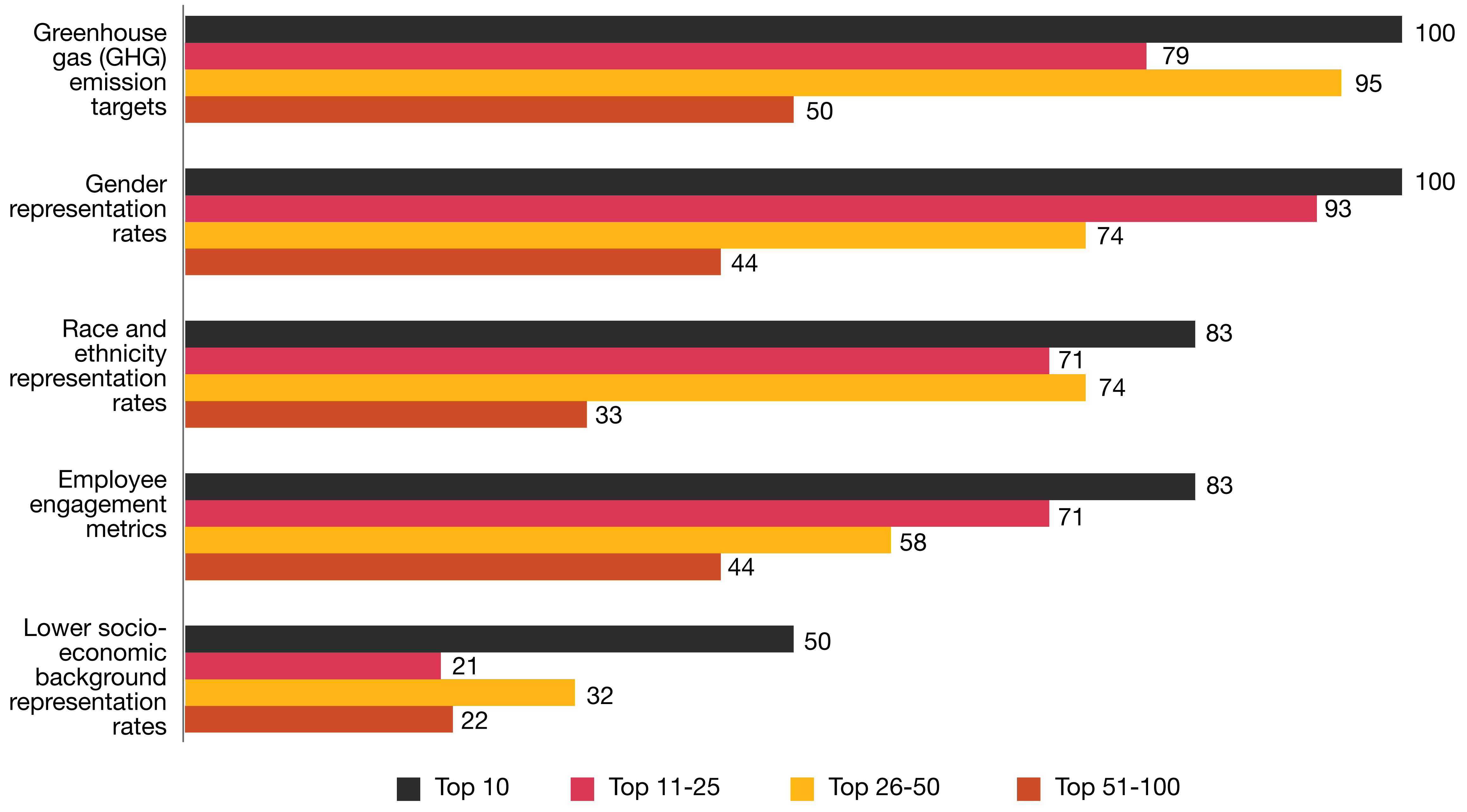
ESG

- Top 100 law firms continued to make progress on ESG policies, with 67% of Top 10, 29% of Top 11-25, 57% of Top 26-50 and 28% of Top 51-100 firms having a well developed policy that is already embedded.
- A number of firms also have a policy that is largely formulated but not yet fully implemented, as follows: (i) Top 10: 33%; (ii) Top 11-25: 64%; (iii) Top 26-50: 32%; and (iv) Top 51-100: 28%.
- This means that 7% of Top 11-25, 11% of Top 26-50 and 44% of Top 51-100 are still catching up on the development of their ESG policies.
- The majority of Top 100 law firms expect ESG to influence a number of areas in respect of their business model over the next five years, with at least 79% stating there will be significant or moderate influence across selection of suppliers (98% of Top 100 firms), travel policy (95%), overall organisation strategy (95%), recruitment of employees (91%), products/service offering (91%), investment decisions (84%) and selection of clients (79%).
- Greenhouse gas emissions is the most common ESG target adopted, as follows: (i) Top 10: 100%; (ii) Top 11-25: 79%; (iii) Top 26-50: 95%; and (iv) Top 51-100: 50%.
- Gender representation is the second most common ESG target: (i) Top 10: 100%; (ii) Top 11-25: 93%; (iii) Top 26-50: 74%; and (iv) Top 51-100: 44%.
- While lower socio-economic background representation targets are set by only 28% of Top 100 firms, 50% of Top 10 firms now have measurable targets in this area (up from 17% in 2023).

Support function areas where a transformation exercise is planned in the next 1-2 years (Top 100)



Number of firms that have set specific and measurable ESG targets (Top 100 – %)



People

04

People

Headcount (on a like-for-like basis)

- Total UK partners have risen by 2.6% and 2.5% in Top 10 and 11-25 firms respectively, whilst the Top 26-50 and 51-100 firms have seen partners grow by 4.3% and 4.8% respectively.
- Total UK fee earner headcount (including partners) rose across all bandings: Top 10 by 1.3%; Top 11-25 by 5.5%; Top 26-50 by 4.9%; and Top 51-100 by 5.1%.
- The investment in UK business support staff varies across the bandings, as follows: (i) Top 10, up 4.2%; (ii) Top 11-25, up 1.4%; (iii) Top 26-50, up 5.3%; and (iv) Top 51-100 firms, up 7.5%.

Leverage

- The ratio of fee earners to non-fee earners has seen little movement since last year, as follows: (i) Top 10: 1.13 (2023: 1.15); (ii) Top 11-25: 1.52 (2023: 1.41); (ii) Top 26-50: 1.67 (2023: 1.63); and (iv) Top 51-100: 1.90 (2023: 1.76).
- The ratio of fee-earners to full equity partners has risen across all bandings except the Top 10, as follows: (i) Top 10, 6.61 to 6.50; (ii) Top 11-25, 8.20 to 9.37; (iii) Top 26-50, 9.95 to 10.48; and (iv) Top 51-100, 10.07 to 10.93.

Turnover

- Amongst partners, there has been a small fall in turnover across all bandings.
- Staff turnover has fallen for all non-partner grades and bandings with the exception of +9 years pqe in Top 11-25 firms (up 1.3pp to 12.7%).
- The most notable reductions in staff turnover for post qualified grades are in the Top 10 and 51-100 firms; for example, +9 years pqe in the Top 10 (down by 9.8pp to 11.5%) and 3-5 years pqe in Top 51-100 (down by 7.8pp to 13.8%).
- Staff turnover continues to be the highest in the paralegal grade across all bandings, being between 23.3% in Top 10 firms and 30.1% in the Top 11-25.
- Turnover in business support staff has fallen in all bandings; Top 10 (from 17.5% to 15.5%); Top 11-25 (from 19.0% to 17.1%); Top 26-50 (16.5% to 15.4%); and Top 51-100 (from 19.4% to 13.9%).

Chargeable Hours

- Full equity partner chargeable hours increased by 4.3% to 1,153 in Top 10 firms, but fell by between 0.8% and 5.1% across the remaining Top 100 bandings.
- Chargeable hours increased for all fee earner grades below partner across the bandings, with the exception of the following grades in the Top 11-25 firms: (i) +9 years pqe, down 1.0% to 1,239 hours; (ii) 1-2 years pqe, down 0.6% to 1,299 hours; and (iii) trainees, down 0.3% to 937 hours.
- The most notable increases for fee earners below partner were in the Top 10 (newly qualified, up 10.7% to 1,435 hours; and 6-8 years pqe, up 6.8% to 1,501 hours) and Top 51-100 (3-5 years pqe, up 12.5% to 1,154 hours; +9 years pqe, up 11.3% to 1,080 hours; and 6-8 years pqe, up 7.0% to 1,126 hours).
- Weighted average chargeable hours per fee earner (excluding partners) has increased across all bandings, but most significantly in the Top 51-100, as follows: (i) Top 10, up 0.9% to 1,341 hours; (ii) Top 11-25, up 1.6% to 1,202 hours; (iii) Top 26-50, up 1.5% to 1,071 hours; and (iv) Top 51-100, up 14.4% to 1,007 hours.

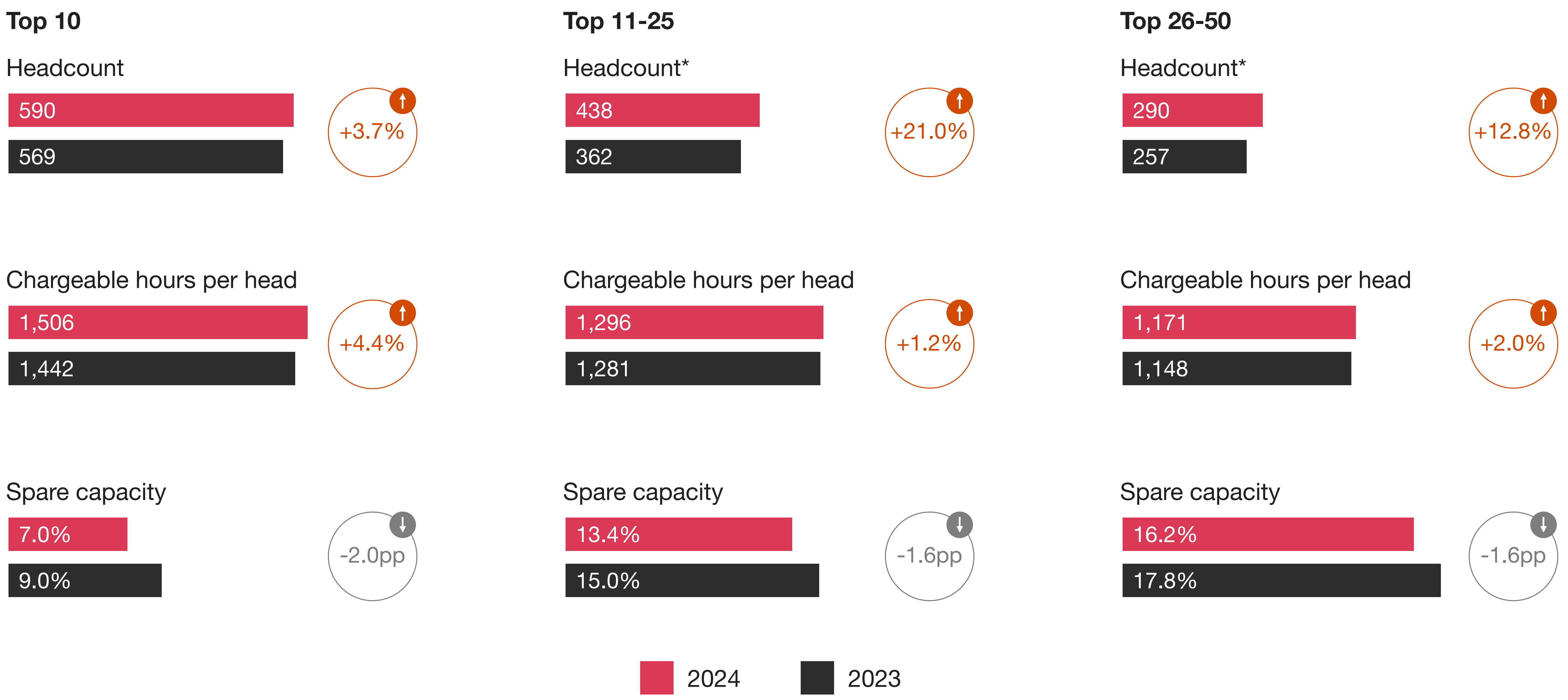
Spare Capacity

- Spare capacity has reduced across all bandings in the Top 100 and for almost all grades.
- The largest falls are for Paralegals in the Top 11-25 (by 8pp to 12%) and +9 years pqe in the Top 51-100 (by 8pp to 17%).
- Outside of the partner grades, spare capacity increased for paralegals in the Top 10 (up 7pp to 14%) and trainees in the Top 26-50 (up 1pp to 15%).
- Focusing on post qualified grades, there is a notable difference in spare capacity between the Top 10 and other bandings, with average Top 10 spare capacity being 7% compared to between 13% and 16% across the Top 11-100 bandings.
- The general downward trend in spare capacity in Top 10 firms is due to increased utilisation, whilst in the Top 11-100 bandings it is a combination of this and a slight reduction in target hours.

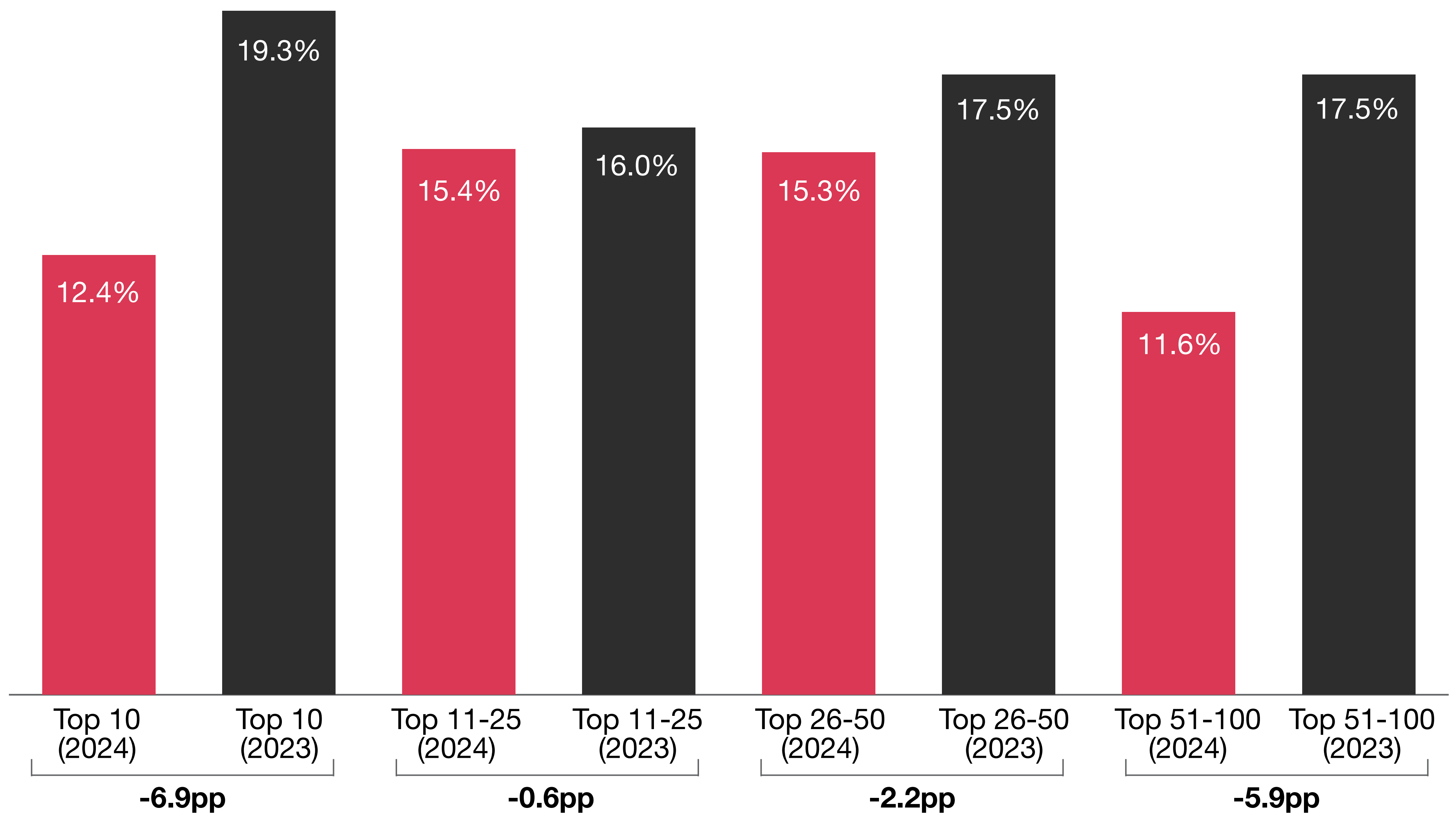
Diversity

- Female representation in the trainee population has decreased in the Top 10 (61% to 59%) and Top 26-50 (63% to 61%), but has risen in the Top 11-25 (62% to 65%) and in the Top 51-100 (65% to 70%).
- At full equity partner level, female representation has grown in the Top 10 (25% to 30%; note that on a like for like basis the movement is 27% to 30%), Top 11-25 (21% to 23%) and Top 26-50 (24% to 25%); but has reduced from 29% to 27% in the Top 51-100.
- Minority ethnic representation at the trainee level has increased in the Top 10 (26% to 32%), Top 26-50 (15% to 19%) and Top 51-100 (11% to 12%), while it has remained at 22% in Top 11-25 firms.
- Minority ethnic representation at the full equity partner level has remained broadly consistent with last year for Top 10 (9.0%) and 11-25 firms (6.2%), while it has increased in the Top 26-50 (4.5% to 5.5%) and Top 51-100 (6.3% to 7.4%).

Movement in headcount, chargeable hours and spare capacity (1-+9 years pqe)



UK staff turnover – post qualified grades (2024 vs 2023)



*On a like-for-like basis, the movement in 1 to +9 years pqe headcount for the Top 11-25 and Top 26-50 firms was 6.3% and 4.5% respectively.

Working capital and financing

05

Working capital and financing

Lock Up

- Only Top 11-25 firms improved total average lock up performance, by 8 days to 137.
- The remaining bandings experienced a deterioration in total average lock up, as follows: (i) Top 10, by 1 day to 153; (ii) Top 26-50, by 5 days to 147; and (iii) Top 51-100, by 5 days to 145.
- The gap between average and year end lock up continues to increase and ranges from 20 days in the Top 11-25 and 51-100 firms, to 30 days in Top 10 firms.
- The drivers of movements in average lock up performance varies across bandings; in Top 10 firms, WIP remains the same and debtor days have increased by 1 day; however, the reverse is true for the the Top 26-50 (average WIP days up by 6) and 51-100 (average WIP days up by 5).
- In Top 11-25 firms, both WIP and debtors improved, by 2 and 6 days respectively.
- International average lock up performance mirrors the UK to a certain extent, with the Top 10 seeing a deterioration of 3 days to 167.
- The Top 11-25 firms recorded an improvement in international total average lock up by 14 days to 134.
- Whilst Top 26-50 firms also improved this statistic by 2 days, overall average international total lock up remains very high at 180 days.

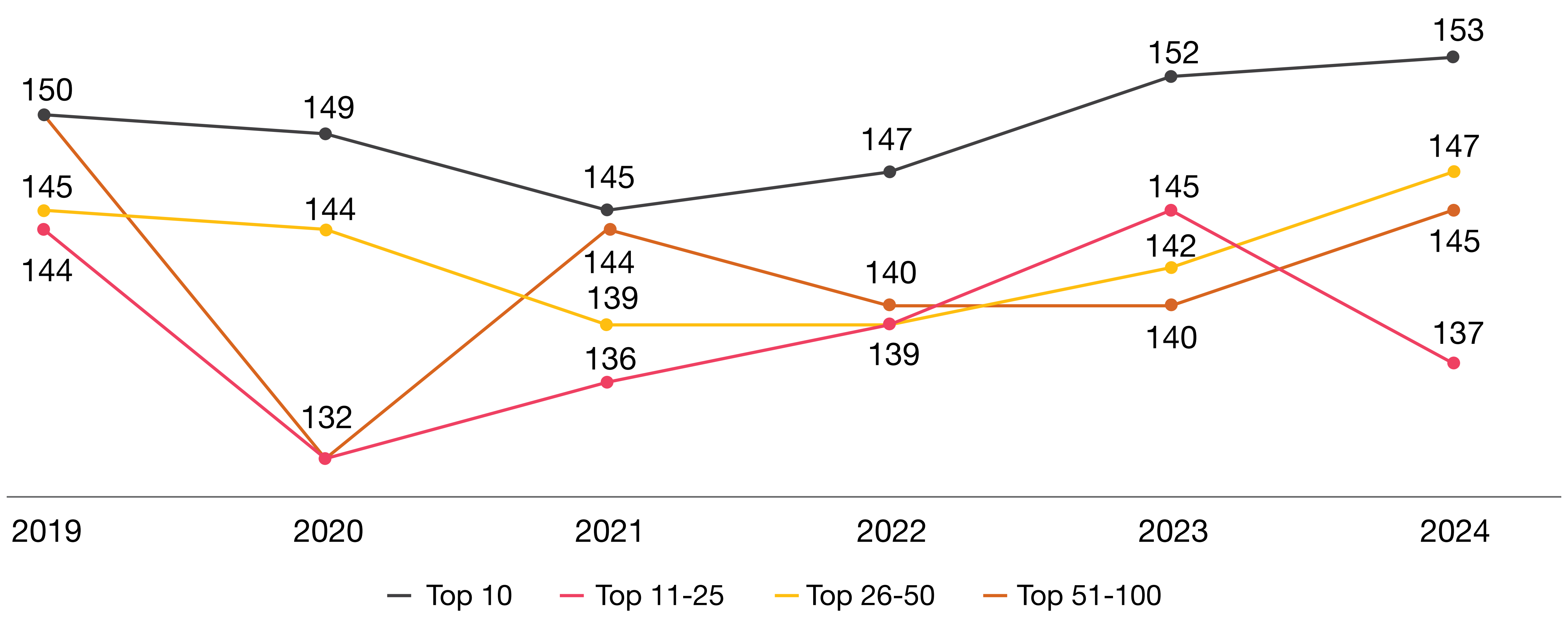
Financing

- There were no significant changes across the Top 100 bandings in relation to the timing of partner profit distributions.
- In the first 18 months from the beginning of the year in which profit is earned, Top 10 firms distribute 74% of available profit (2023: 74%) and this is 68% (2023: 69%) in the Top 11-25; 72% (2023: 73%) in the Top 26-50; and 69% (2023: 68%) in the Top 51-100.
- The average total partner capital accounts for bandings outside the Top 10 are broadly consistent with prior year at £255k for Top 11-25 (down 1.9%); £274k for Top 26-50 (up 0.4%) and £218k for Top 51-100 (up 2.3%).
- Top 10 firms average partner capital account balances have increased by 6.2% to £430k.
- Across the bandings, the movements in average full equity partner current account balances is minimal, as follows: (i) Top 10, up 1.1% to £817k; (ii) Top 11-25, up 2.7% to £686k; (iii) Top 26-50, down 0.7% to £430k; and (iv) Top 51-100, up 3.0% to £382k.
- Outside the Top 10, the proportion of financing from capital and current accounts, as percentage of total financing, has remained similar to prior year with no movement above 3pp.
- In Top 10 firms, capital and current accounts represent 88% of total funding, slightly up on last year's figure of 85%.
- There has been a small upturn in the proportion of finance from external funding for the Top 26-50 (up 4pp to 13%) and Top 51-100 (up 2pp to 18%), with Top 10 firms reducing their reliance on external finance (down 3pp to 12%).
- Top 11-25 firms have, at 21% (2023: 22%), maintained the level of external funding, as a percentage of total financing, at a similar level to prior year.

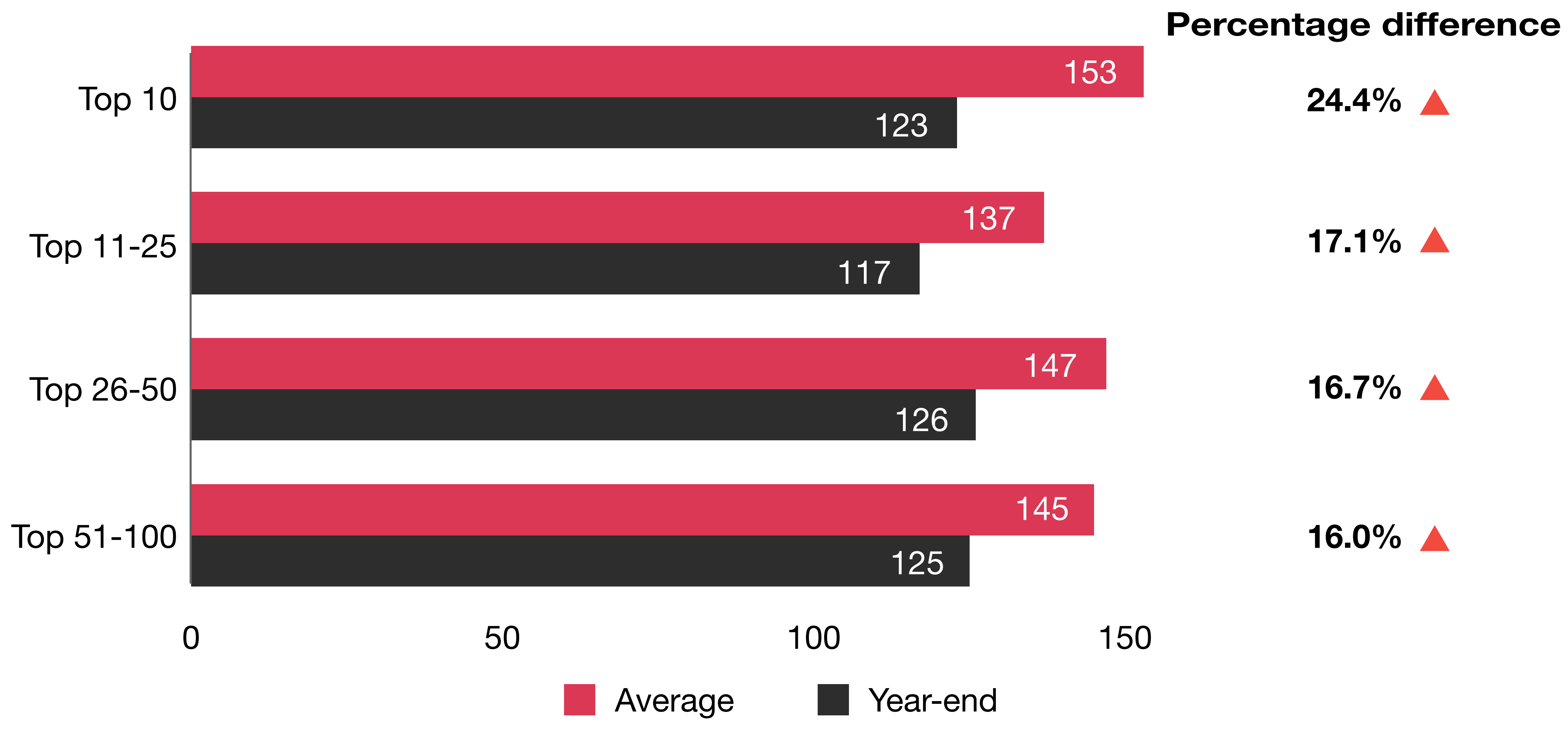
Basis Period Reform

- In the Top 10 and 11-25 firms there is only a small number that either have or are planning to change their year end in response to basis period reform, as follows: (i) No Top 10 firms; and (ii) 14% of Top 11-25 have already changed their year, with 7% planning to change in the future.
- The proportion increases as you go down the bandings: (i) 21% of Top 26-50 firms have already changed their year end and a further 5% plan to do so; and (ii) 22% of Top 51-100 firms have already changed their year and a further 33% plan to do so.
- The majority of firms across the Top 100 (60%) have cited ‘Improved working capital management’ as an action already taken to fund basis period reform; albeit, this does not correlate with working capital performance across the year.
- Half of Top 10 firms have stated a capital call has already been completed, with half of Top 11-25 firms already sourcing external finance.
- Looking forward, ‘Improved working capital’ is the most common number one priority to fund basis period reform for 67% of Top 10, 64% of Top 11-25, 61% of Top 26-50 and 53% of Top 51-100 firms.
- For Top 10 firms, the second highest priority for funding basis period reform is ‘Capital call from partners’ and outside the Top 10 it is ‘External funding’.

Trend in UK average lock up days: 2019 to 2023



Average lock up vs year end lock up



Business support and cyber risk

06

Business support and cyber risk

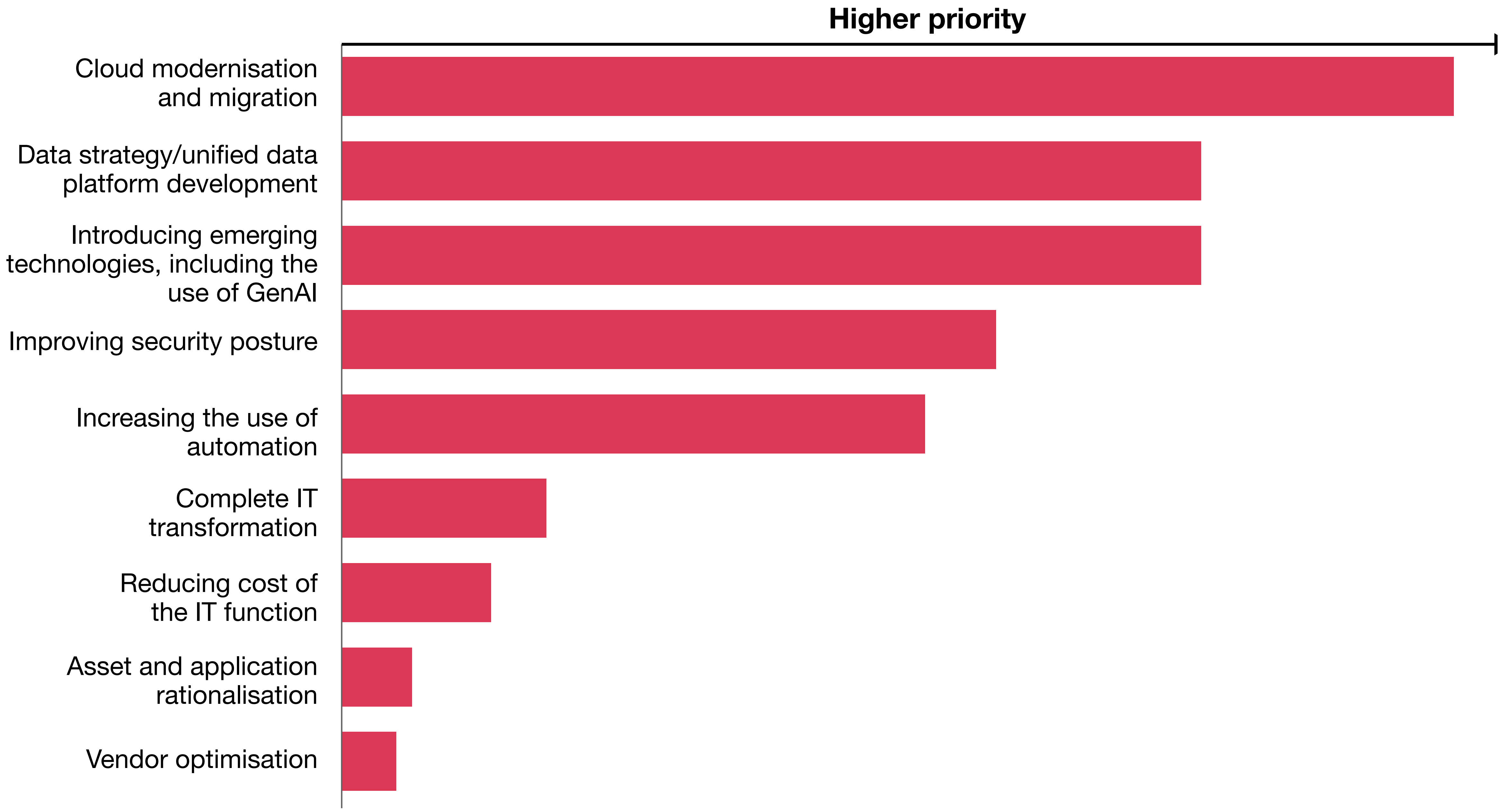
Business support

- This year, 'Improving working capital performance' remained the top priority for business support functions, with 61% of Top 100 firms citing this as one of their top three business support priorities.
- 'Standardise and centralise processes' has dropped in priority, but remains the second highest, with 'Improving legal service offerings' being third; 40% and 37% of Top 100 firms include these areas respectively as one of their top three business support priorities.
- 'Cost reduction' remains one of the lowest priorities despite increasing pressure on costs, with just 16% of Top 100 firms stating this was one of their top three business support priorities; however, 50% of Top 10 firms noted this as a top three business support priority.
- 'Cloud modernisation and migration' is the number one strategic priority for IT functions over the next 2 years, with 57% of Top 100 firms identifying this in their top three IT priorities
- 'Data strategy/unified data platform development' and 'Introducing emerging technologies' rank equal second as an IT strategic priority; 52% and 67% identifying these as top three IT priorities (the majority of firms selecting 'introducing emerging technologies' ranked it as their third priority).
- IT spend (both revenue and capital) per user (i.e. fee earners and business support staff) is up across all bandings except the Top 26-50 where it remained consistent at £9.8k per user.
- The increase in IT spend per user in the remaining bandings is: (i) Top 10, up 11.4% to £16.6k; (ii) Top 11-25, up 7.5% to £11.4k; and (iii) Top 51-00 firms, up 11.0% to £10.1k per user.

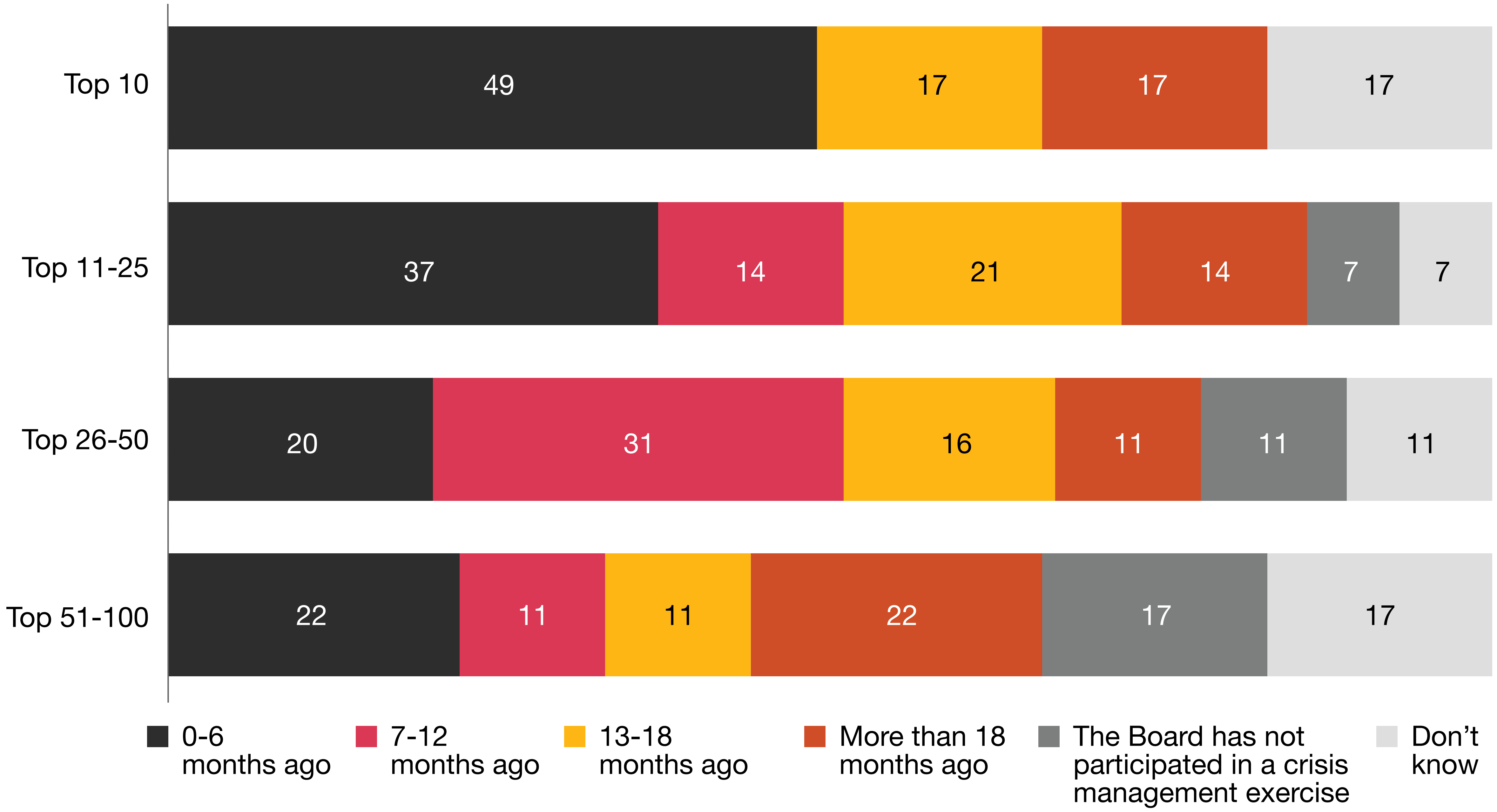
Cyber risk

- Cyber security spend has increased across all bandings in the Top 50, as follows: (i) Top 10, up 20.7% to £7.4m; (ii) Top 11-25, up 42.6% to £1.5m; and (iii) Top 26-50, up 4.7% to £1.1m.
- In Top 51-100 firms, cyber security spend dropped by 7.5% to £0.4m.
- The regularity of business continuity plan testing is similar to last year, with the majority of firms doing this at least every 12 months, as follows: (i) Top 10: 100% (2023: 67%); (ii) Top 11-25: 86% (2023: 86%); (iii) Top 26-50: 79% (2023: 75%) ; and (iv) Top 51-100: 66% (2023: 70%).
- Consistent with last year, approximately one third of Top 100 firms have not had senior management participate in a crisis management exercise in the last twelve months.
- This grows to 54% of Top 100 firms where the Board have not participated in a crisis management exercise in the last twelve months.

IT support function priorities over the next two years



Last time the Board, or equivalent, participated in a crisis management exercise



03

Appendix: Key performance indicators

Key performance indicators

Key performance indicators (UK)

Top 10

	2019	2020	2021	2022	2023	2024
UK fees per chargeable hour (£)	321	337	354	382	429	449
UK fees per full equity partner (£000)	3,189	3,318	3,498	3,799	3,818	4,174
UK fees per fee earner (£000)	438	437	467	503	532	580
UK profit per full equity partner (£000)	1,299	1,238	1,479	1,628	1,644	1,708
UK profit per fee earner (£000)	181	173	209	229	240	246
Profit margin (%) – before full equity partner remuneration	37.1	35.4	40.0	41.0	40.7	41.2
Staff cost ratio (%)	37.0	38.0	36.2	35.2	37.2	35.9
1 - +9 year PQE fee earner utilisation (hours)	1,488	1,362	1,409	1,401	1,442	1,506
Lock up days (year end)	120	118	113	129	128	123
Average number of full equity partners-UK	140	143	147	147	154	159
Average number of fee earners (incl. partners)-UK	1,117	1,090	1,061	1,070	1,094	1,106

Top 11-25

	2019	2020	2021	2022	2023	2024
UK fees per chargeable hour (£)	285	300	293	312	312	325
UK fees per full equity partner (£000)	2,491	2,473	2,450	2,791	2,872	3,418
UK fees per fee earner (£000)	325	321	332	344	343	355
UK profit per full equity partner (£000)	734	710	768	868	807	1,002
UK profit per fee earner (£000)	98	95	106	106	104	107
Profit margin (%) – before full equity partner remuneration	28.5	27.5	28.8	29.3	27.9	27.7
Staff cost ratio (%)	41.1	41.4	42.7	42.6	43.9	44.2
1 - +9 year PQE fee earner utilisation (hours)	1,347	1,289	1,339	1,272	1,281	1,296
Lock up days (year end)	121	115	109	121	127	117
Average number of full equity partners-UK	70	72	77	78	87	89
Average number of fee earners (incl. partners)-UK	701	715	714	699	742	886

Top 26-50	2019	2020	2021	2022	2023	2024
UK fees per chargeable hour (£)	228	223	225	259	270	280
UK fees per full equity partner (£000)	2,037	2,228	2,149	2,494	2,432	2,728
UK fees per fee earner (£000)	237	223	224	261	265	275
UK profit per full equity partner (£000)	516	467	516	650	580	645
UK profit per fee earner (£000)	68	55	61	76	73	76
Profit margin (%) – before full equity partner remuneration	24.7	22.2	24.9	27.0	25.2	25.2
Staff cost ratio (%)	43.2	45.1	42.7	43.6	45.6	45.2
1 - +9 year PQE fee earner utilisation (hours)	1,235	1,216	1,210	1,167	1,148	1,171
Lock up days (year end)	128	126	116	118	119	126
Average number of full equity partners-UK	59	57	54	56	57	62
Average number of fee earners (incl. partners)-UK	513	539	528	553	556	620

Top 51-100	2019	2020	2021	2022	2023	2024
UK fees per chargeable hour (£)	200	213	206	217	231	247
UK fees per full equity partner (£000)	1,959	1,792	1,855	1,947	2,139	2,419
UK fees per fee earner (£000)	188	207	191	196	204	214
UK profit per full equity partner (£000)	460	452	445	464	479	564
UK profit per fee earner (£000)	49	58	52	52	52	55
Profit margin (%) – before full equity partner remuneration	22.9	26.3	24.6	24.3	23.7	23.5
Staff cost ratio (%)	45.3	44.7	45.5	44.8	46.4	48.1
1 - +9 year PQE fee earner utilisation (hours)	1,122	1,139	1,086	1,050	1,024	1,117
Lock up days (year end)	133	119	120	134	132	148
Average number of full equity partners-UK	25	28	29	30	29	31
Average number of fee earners (incl. partners)-UK	330	244	256	262	269	304

Key performance indicators (Global)

Top 10

	2019	2020	2021	2022	2023	2024
Fees per all partners (£000)	2,391	2,405	2,456	2,575	2,814	2,872
Fees per fee earner (£000)	434	410	439	457	502	500
Profits per all partners (£000)	1,058	929	1,071	1,128	1,153	1,184
Profits per fee earner (£000)	173	156	188	197	204	202
Profit margin (%) – before full and fixed equity partner remuneration	39.3	36.4	41.3	41.8	39.5	39.6
Staff cost ratio (%)	38.3	39.5	37.6	37.0	39.7	39.6
Average number of all partners – global	468	476	486	497	487	517
Average number of fee earners (incl. partners) – global	2,656	2,682	2,608	2,687	2,650	2,859

Top 11-25

	2019	2020	2021	2022	2023	2024
Fees per all partners (£000)	1,102	1,162	1,221	1,220	1,304	1,405
Fees per fee earner (£000)	293	285	310	321	336	355
Profits per all partners (£000)	370	375	431	454	448	490
Profits per fee earner (£000)	98	92	109	119	115	125
Profit margin (%) – before full and fixed equity partner remuneration	33.6	31.7	34.1	34.1	35.4	35.2
Staff cost ratio (%)	43.0	44.1	43.7	43.0	42.1	43.0
Average number of all partners – global	246	253	280	315	338	334
Average number of fee earners (incl. partners) – global	939	1,069	1,128	1,291	1,385	1,394

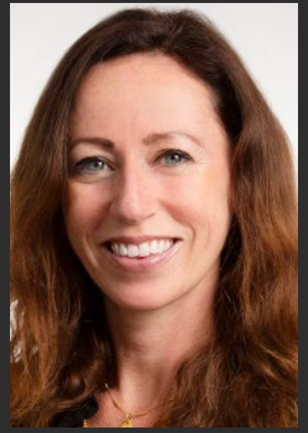
This is the 33rd PwC Law Firms’ Survey. Lead members of PwC's Law Firms' Advisory Group consists of:

Kate Wolstenholme

Kate leads our Law Firms’ Advisory Group (‘LFAG’) and works with national and international law firms on audit, accounting and strategy issues. Past roles include chairing PwC’s Risk Committee and serving on PwC’s Supervisory Board and Audit Committee.

Lucy Robson

Lucy leads our Tax practice for UK headquartered law firms, providing international structuring and partnership tax advisory services and tax risk and governance support, as well as partnership and partner tax compliance.



Alexa Highfield

Alexa Highfield is a Partner in our People and Organisation practice. She has spent 20 years advising law firms on managing and communicating change and ensuring they are fit for the future.

Nina Feighoney-Smith

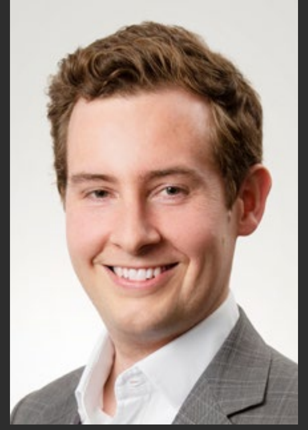
Nina is a Cloud & Data Transformation Director who works specifically in the legal sector to deliver business transformations that are underpinned by technology, from strategy and case for change development through to vendor selection and implementation.

Leon Hutchinson

Leon is an Audit Director who works with a number of national and international law firm clients, advising them on accounting issues and SRA Accounts Rules compliance.

Liz Connolly

Liz leads our US law firm tax practice and is the main advisor in the UK to the AMLaw100. Liz also focuses on UK headquartered law firms and other professional practice firms leading advice on M&A, IPO listing and international structuring.



Dan Wicks

Dan is a Director in our Deals practice. He advises firms on lock up management through process improvement, technology and managed services.

Amy Edwards

Amy is a Director in our Corporate Finance team. She advises Law firms on strategic decisions, including structural changes and M&A.

Chris Neill

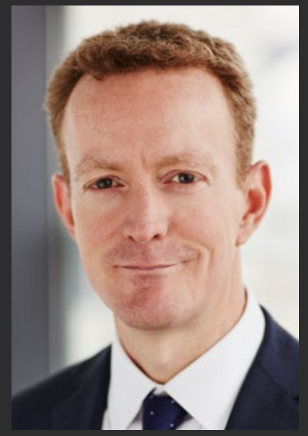
Chris is a Partner and leads our Business Services Audit practice in London. Chris leads a number of law firm audit engagements and also across the wider professional services sector, including SRA Accounts Rules compliance. Chris also sits on the UK's LLP SORP Steering Group

Gregory Jackson

Greg is a Director in our Consulting practice. He has spent more than 10 years advising law firms on strategy and business transformation both in-house and at PwC

David Baxendale

David is a Partner in our Deals business who advises law firms and other financial stakeholders on sources of funding and appropriate funding structures.

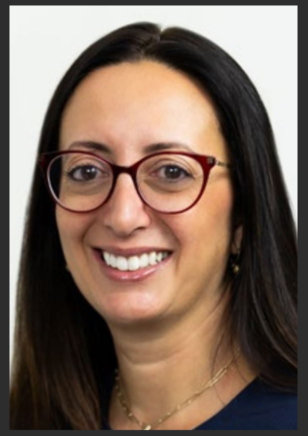


Mark Anderson

Mark is our Global Legal & Professional Services Sector Leader. He works across all of our international law firm client base, leading our service propositions and relationship development activities.

Charles Michalowski-Cummings

Charles is a Director in our Strategy Consulting practice. He has spent over 11 years advising law firms and investors on strategy, operations and M&A within the legal sector.



Joanna Ahlstrom

Joanna is the Chief Markets Officer for PwC UK Consulting and a member of the Consulting Executive team. She leads our teams to bring together the best of our legal sector expertise with her team's deep experience in end-to-end business transformation.

We would like to thank all other members of the LFAG who helped with this year's survey, particularly Tiarnan Branson, Rachel Kelly, Elodie Iohann, Panna Chauhan, John Carter, Anunay Gupta, Madhumita Prabhakar, Dan Holmes, Craig Shaw, James Rashleigh, Rukhsar Khalid, Elaine McGrinty, Michael Stewart, Harry Purdie and Emma Daly who contributed significantly to the production of this report.

Our Law Firms' Advisory Group harnesses the expertise of specialists nationally and internationally to provide assistance with:

- Audit
- Direct and indirect taxation
- Strategic consultancy
- IT strategy, selection and implementation (Finance/PMS, HR and CRM)
- Cost reduction and outsourcing
- Mergers and acquisitions
- Capital Markets advisory
- Compliance with SRA Accounts Rules and associated regulatory requirements
- Working capital management and financing
- Limited Liability Partnerships and other structuring advice
- Partner reward
- Employee and employer issues (reward structures and taxation)
- Internal audit and other risk management services
- Cyber security services

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RITM0106253