

# 2019 AM LAW 100

A LOOK BENEATH THE TOP LINE TRENDS

# Today's Speakers



**Patrick Fuller**  
**Vice President, Legal Intelligence**  
*Phone: 1-405-285-5358*  
*Email: [pfuller@alm.com](mailto:pfuller@alm.com)*



**Nicholas Bruch**  
**Director, ALM Intelligence**  
*Phone: +1 617 866 0229*  
*Email: [nbruch@alm.com](mailto:nbruch@alm.com)*



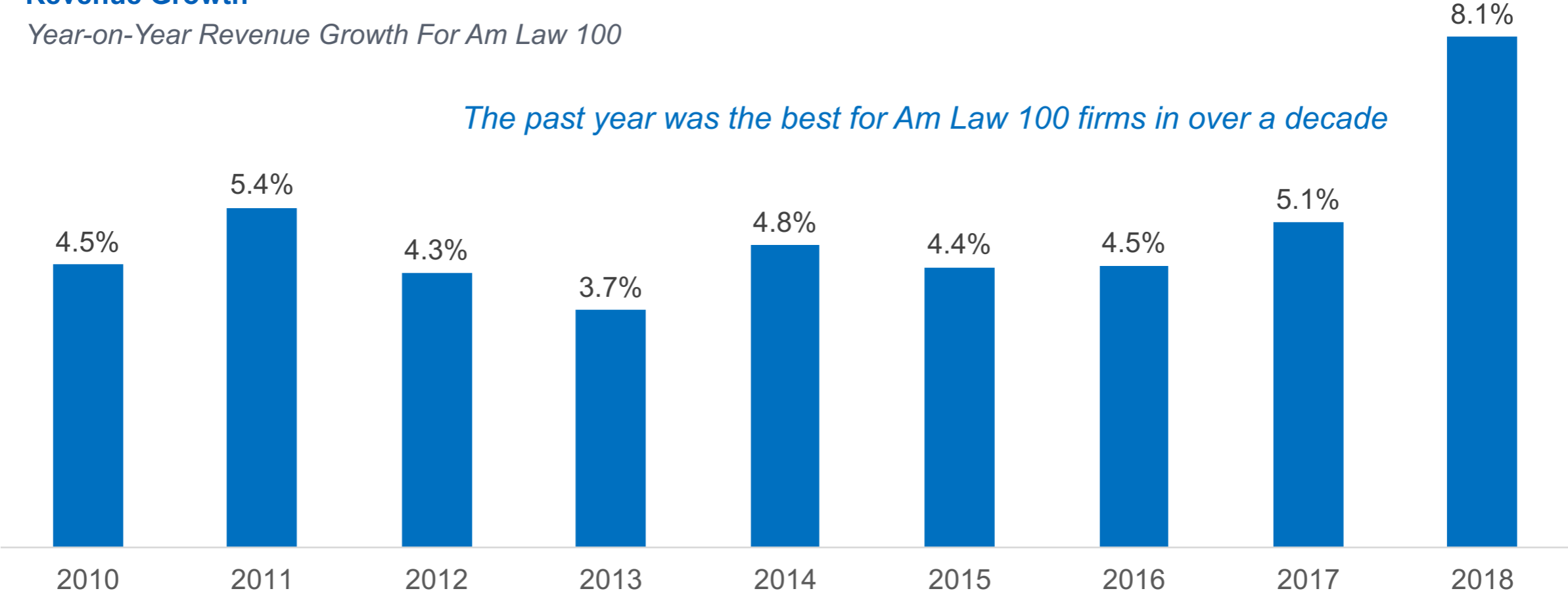
**James Willer**  
**Senior Analyst**  
*Phone: +447564828176*  
*Email: [jwiller@alm.com](mailto:jwiller@alm.com)*

# Revenue Increased

## Revenue Growth

Year-on-Year Revenue Growth For Am Law 100

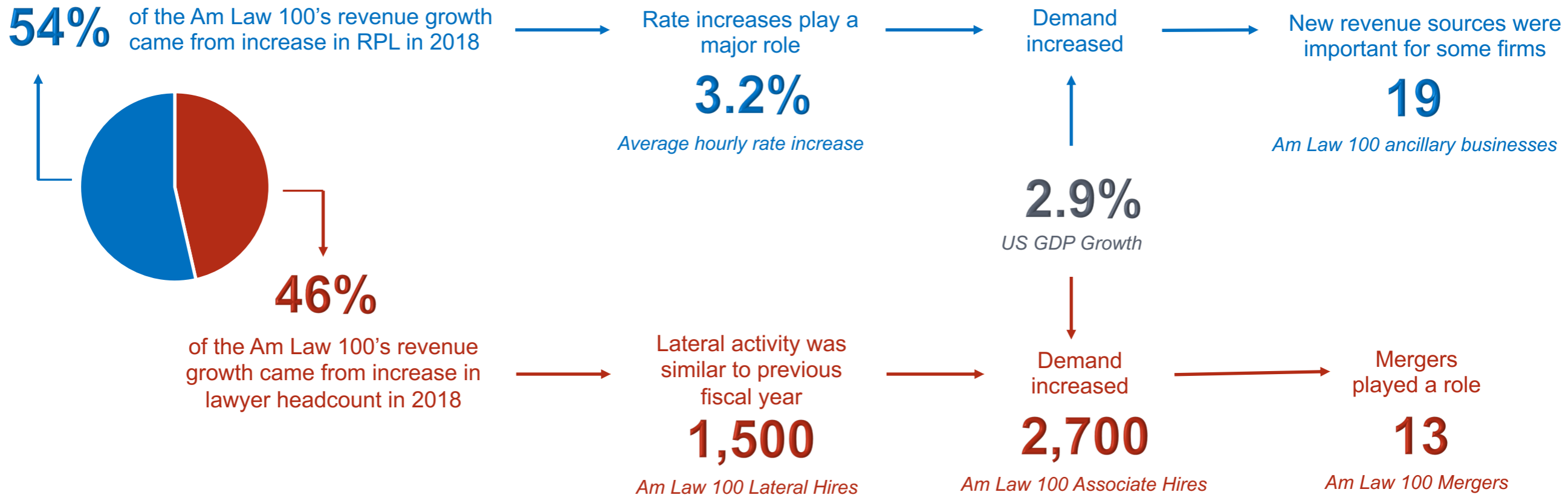
*The past year was the best for Am Law 100 firms in over a decade*



# Revenue Growth Was Achieved Through A Variety Of Means

## Sources of 2018's Strong Revenue Growth Performance

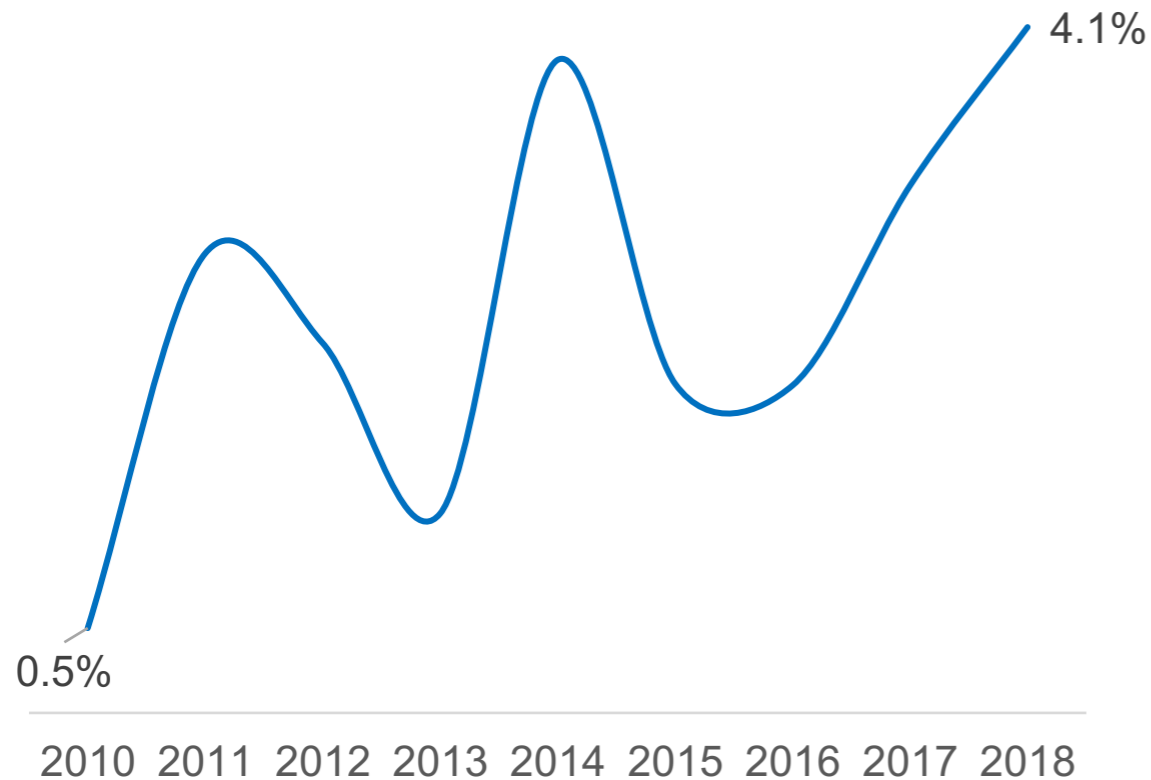
Share of Am Law 100 Year-on-Year Revenue Growth



# Revenue Per Lawyer Had Its Best Year In Over A Decade, Although Performance Was Variable Across The Am Law 100

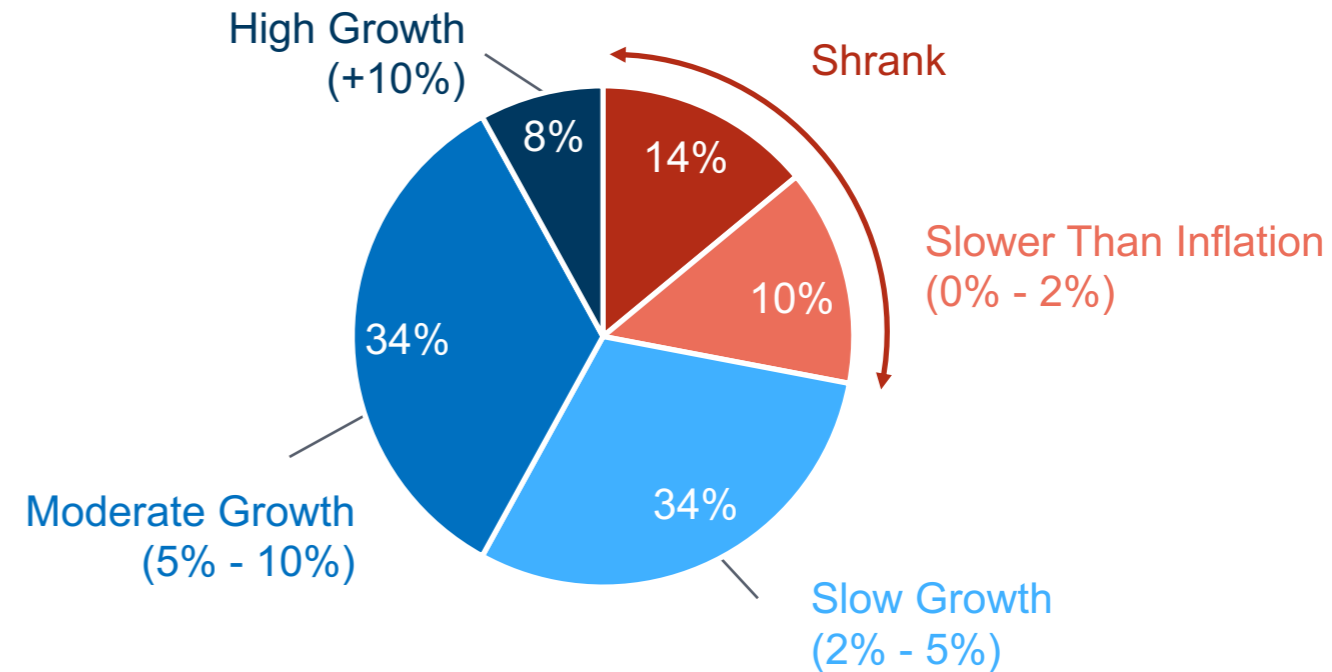
## Revenue Per Lawyer Growth

Year-on-Year Revenue Per Lawyer Growth For Am Law 100



## Percentage of Firms By RPL Growth Rate

For Am Law 100 Firms



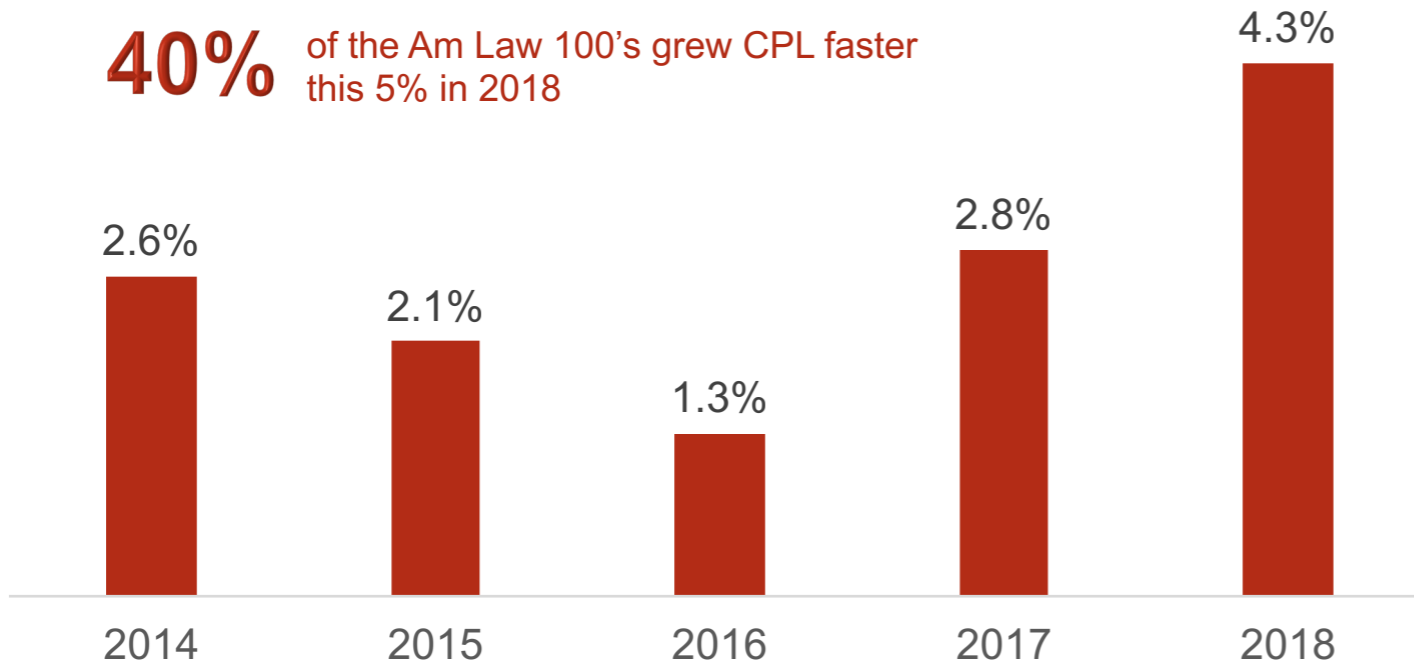
# Costs Increased For A Large Number Of Firms

## Cost Per Lawyer Growth

Year-on-Year Cost Per Lawyer Growth For Am Law 100

**65%** of the Am Law 100's grew CPL faster this year than last

**40%** of the Am Law 100's grew CPL faster this 5% in 2018



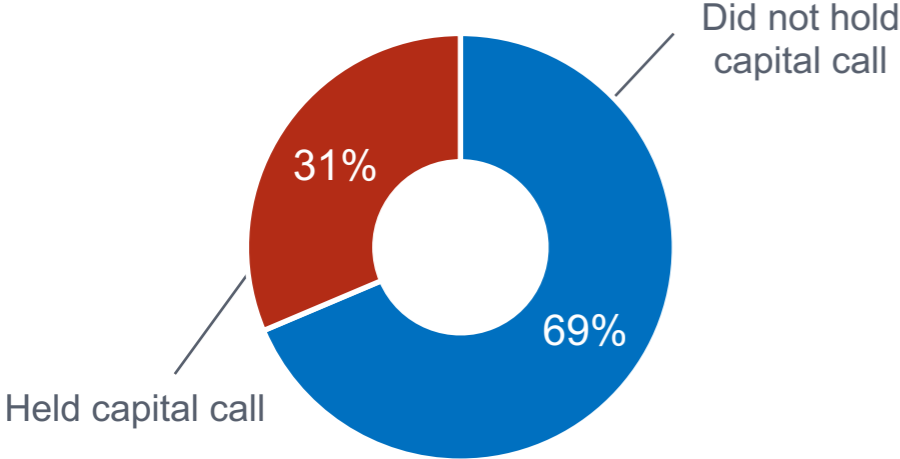
## Sources of 2018 Cost Growth

- Associate Salary Increases
- Technology Investments
- Process Improvements
- Lateral Hires
- International Growth

# About A Third Of Firms Covered Increasing Costs Through Capital Calls And Debt

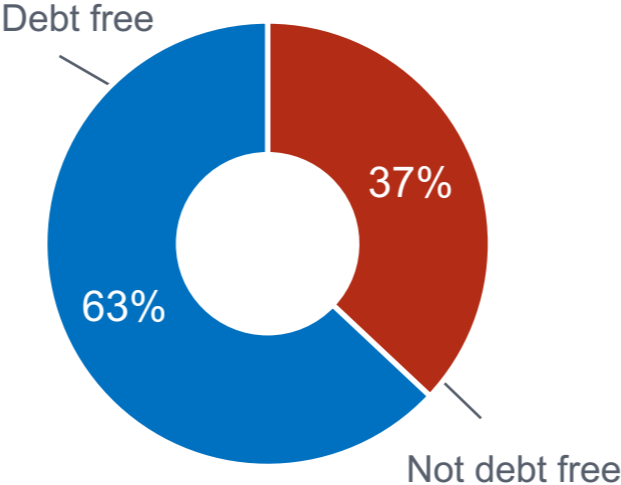
## Held A Capital Call

Percentage of Am Law 100 Firms



## Firms Debt Free

Percentage of Am Law 100 Firms



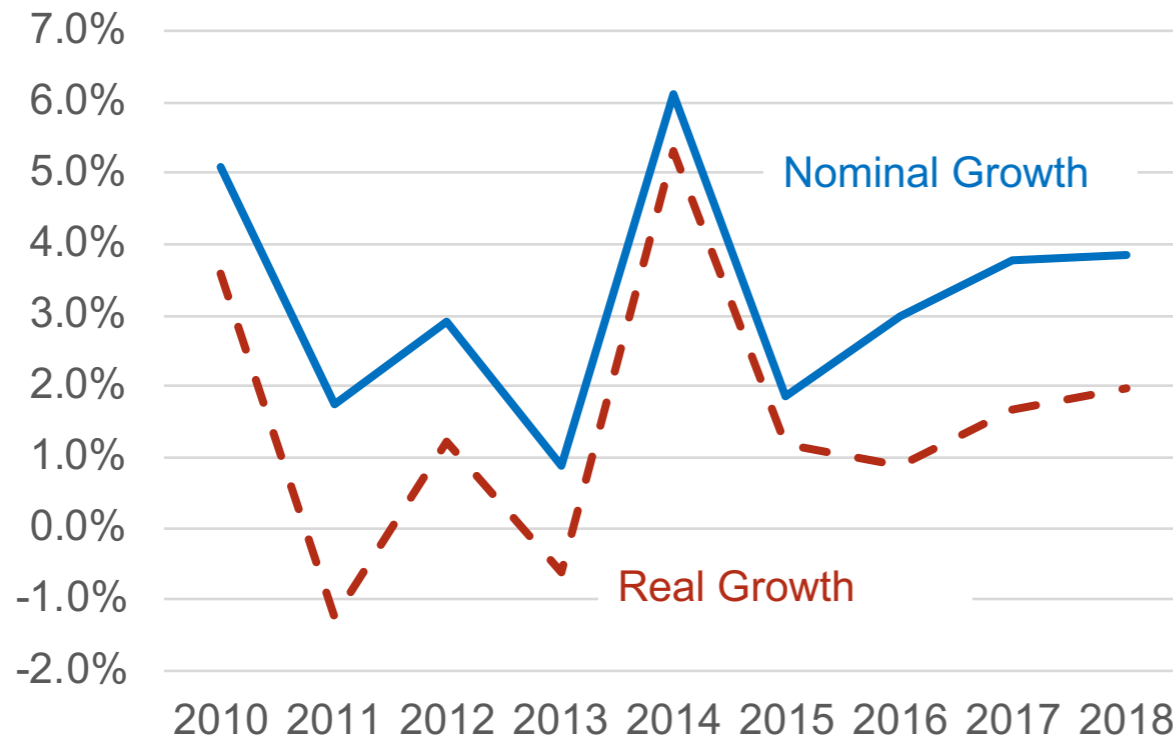
## Uses of Debt

- 61%** of Am Law 100 firms took out debt to cover technology expenses
- 33%** of Am Law 100 firms took out debt to cover real estate costs
- 6%** of Am Law 100 firms took out debt to cover matter related costs
- <1%** of Am Law 100 firms took out debt to cover attorney compensation
- <1%** of Am Law 100 firms took out debt to cover lateral hires
- <1%** of Am Law 100 firms took out debt to cover expansion related costs

# Profitability Increased....But Slowly

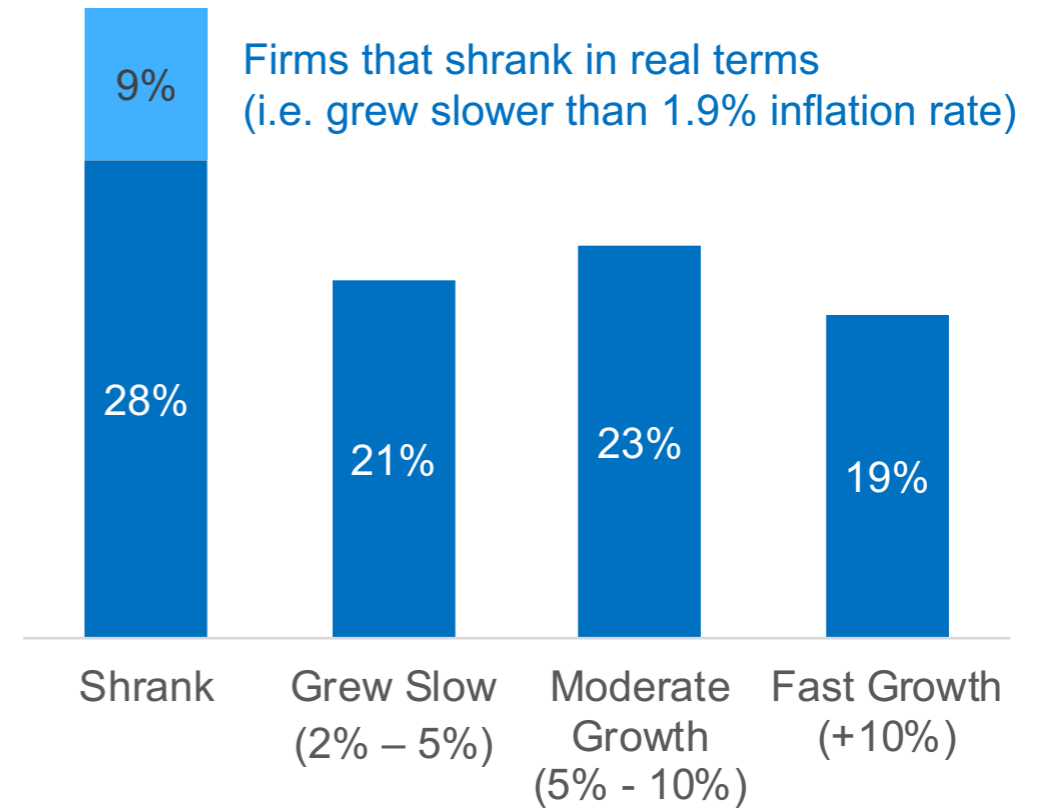
## Profit Per Lawyer Growth

Year-on-Year Profit Per Lawyer Growth For Am Law 100



## Percentage of Firms By PPL Growth Rate

For Am Law 100 Firms

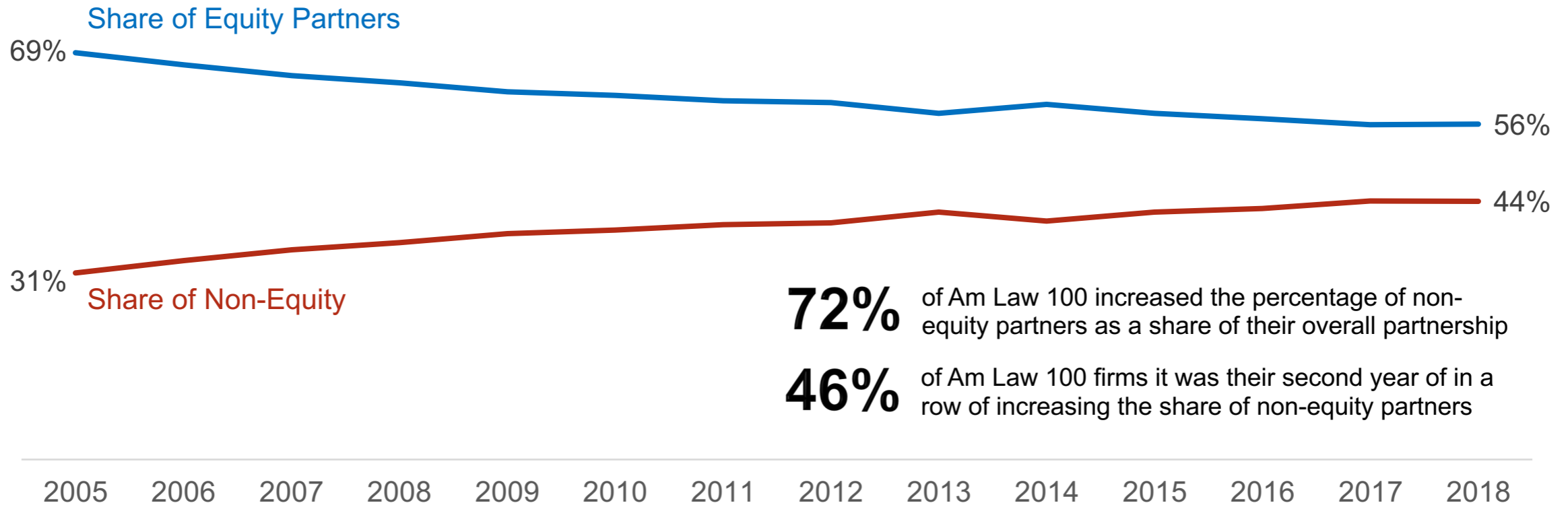




# Firms Continued To Shift Their Partnership Models

## Share of Overall Partnership

For The Am Law 100



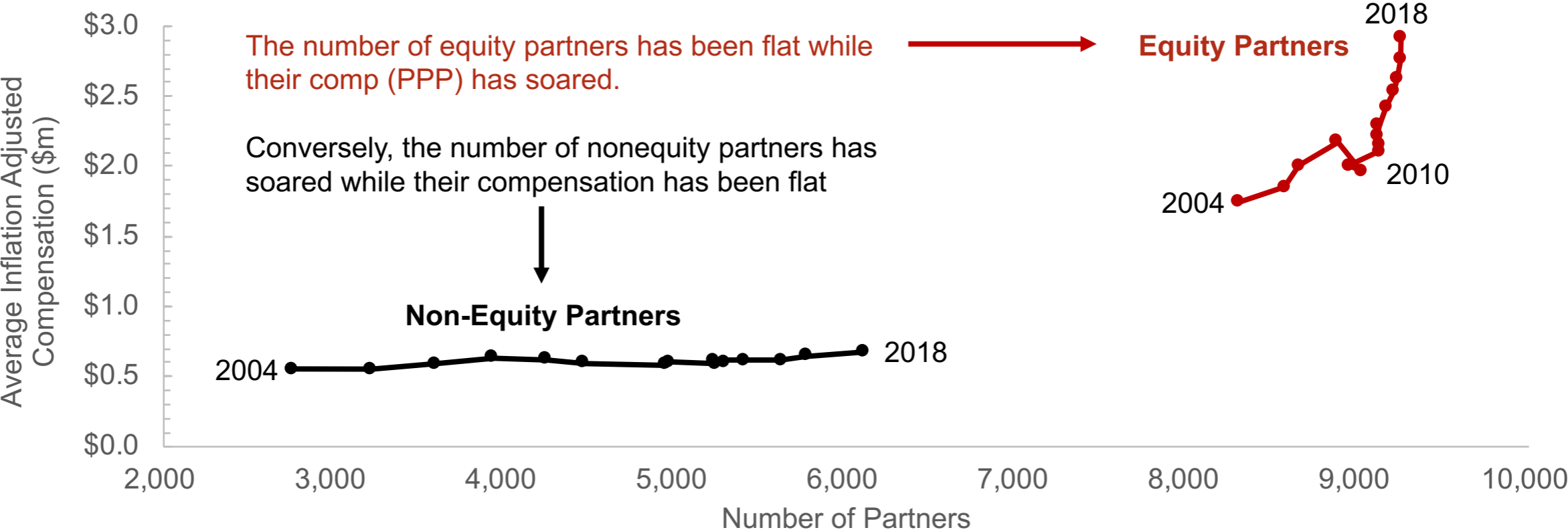
**72%** of Am Law 100 increased the percentage of non-equity partners as a share of their overall partnership

**46%** of Am Law 100 firms it was their second year of in a row of increasing the share of non-equity partners

# The Shift Toward Multi-tier Partnerships Is An Attempt To Boost The Compensation Of Those That Law Firms' Value Most

## Average Compensational and The Number of Equity and Non-equity Partners

For Am Law 50 firms, 2004 - 2018

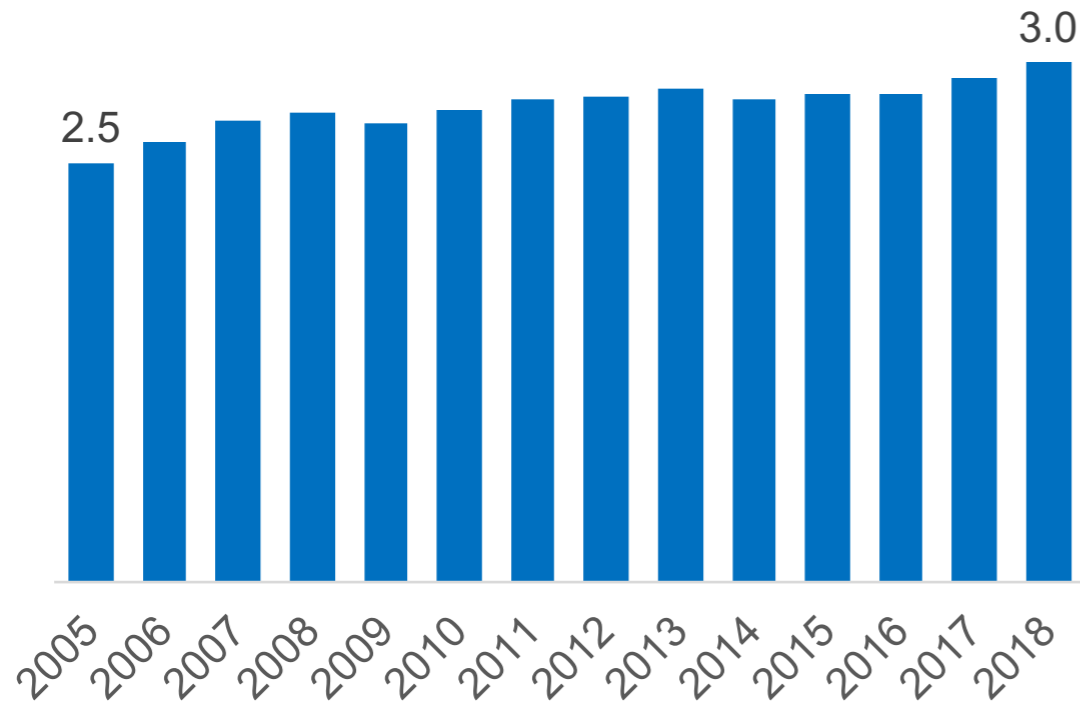


Graph Source: Hugh Simons, Equity and Nonequity Partners Are on Divergent Paths, The American Lawyer, April 2019

# Am Law 100 Firms Also Continued To Increase Their Associate Leverage

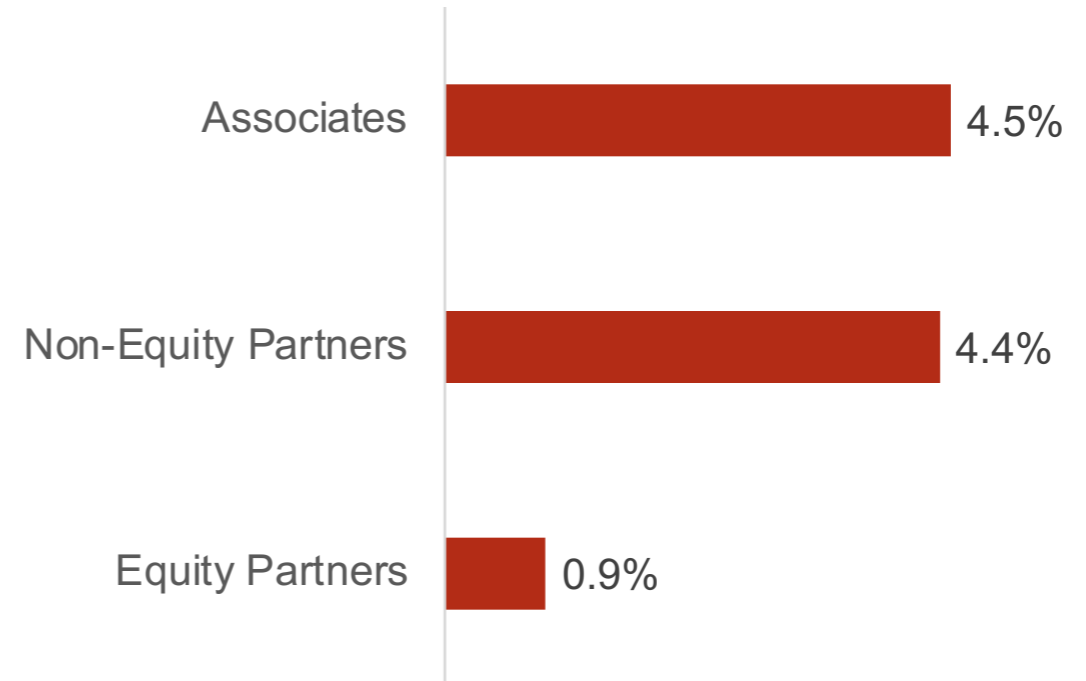
## Associate to Equity Partner Leverage

Average For Am Law 100



## Annual Growth By Job Title

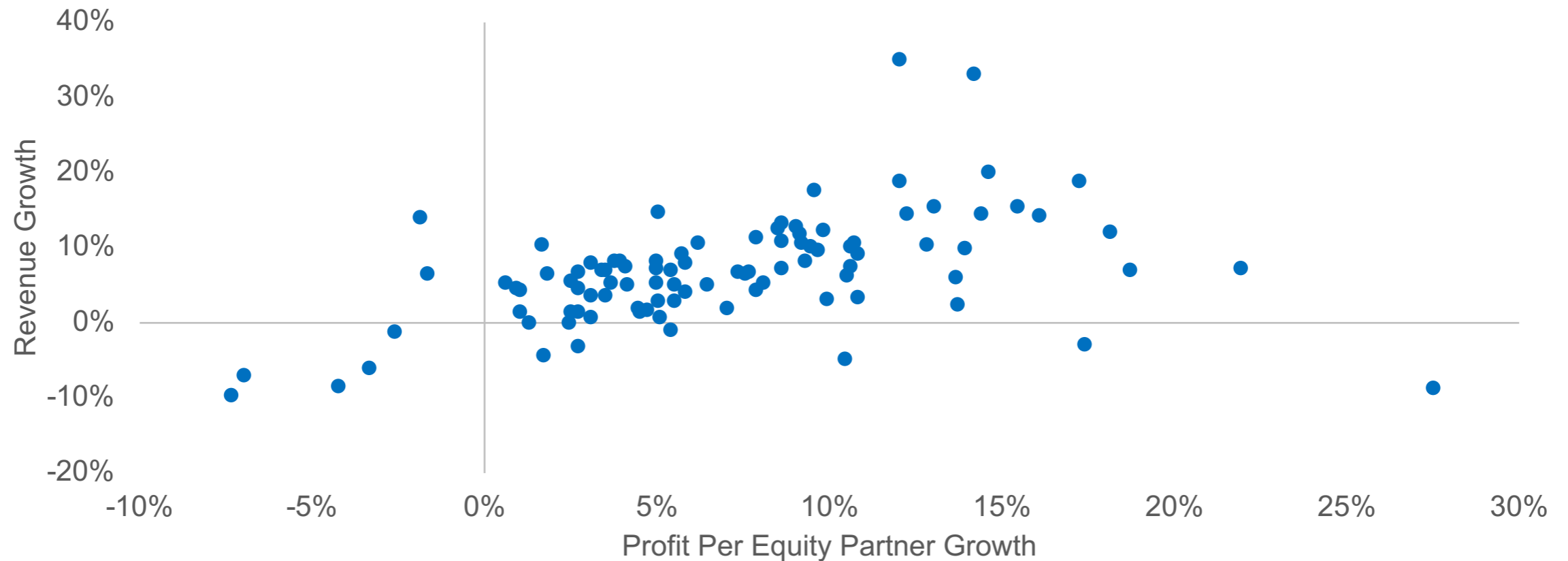
Average For Am Law 100



# The Most Strait Forward Way To Grow Profit Per Equity Partner Was To Grow The Top Line

## Revenue and Profit Per Equity Partner Growth, 2017 - 2018

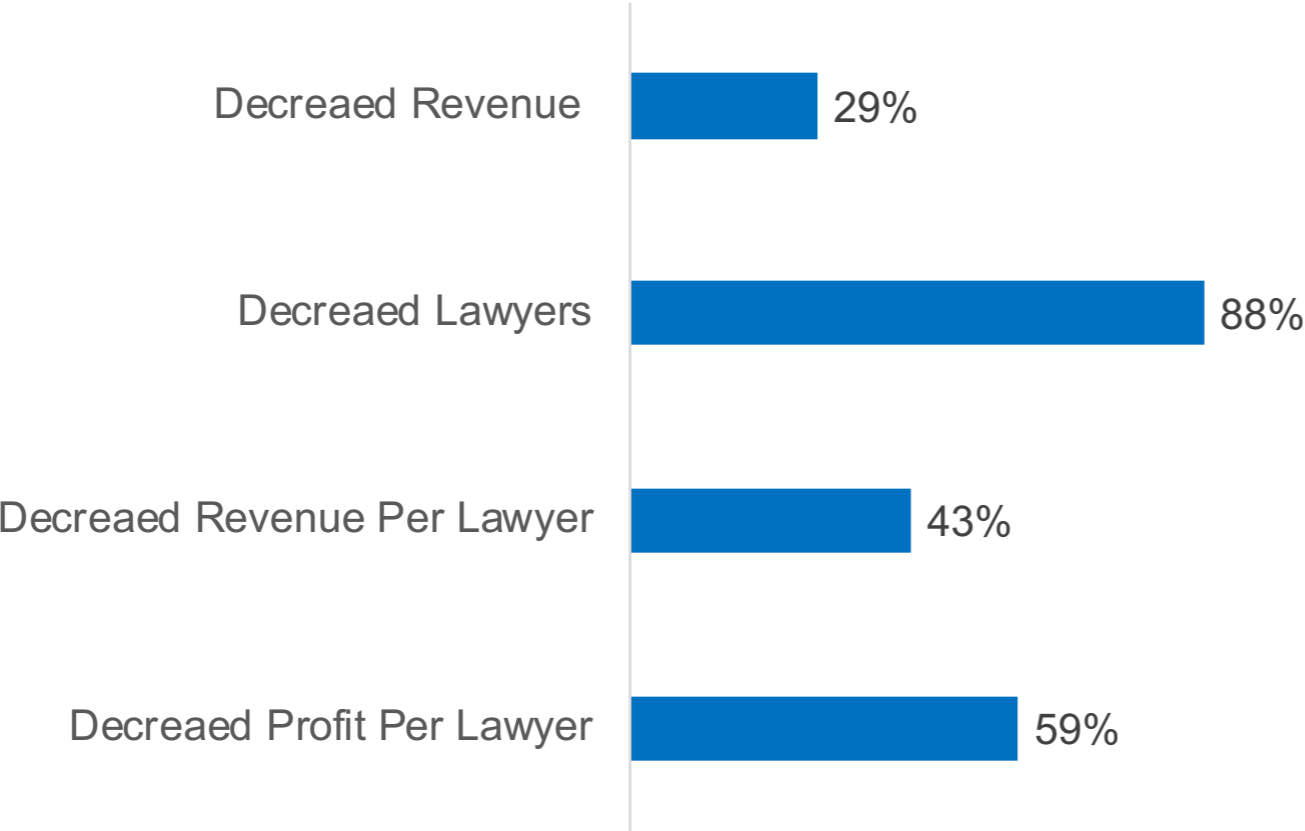
*For Am Law 100 Firms*



# Many Firms Did Increase Profit Per Equity Despite Setbacks In Other Key Financial Metrics

## Firms Increased PPP Despite Setbacks in Other Metrics

Percentage of Am Law 100 Firms That Increased PPP



## Levers Used to Increase PPP

Decrease Lawyers / Slash Costs

Increase RPL by Focusing on Higher Value Areas

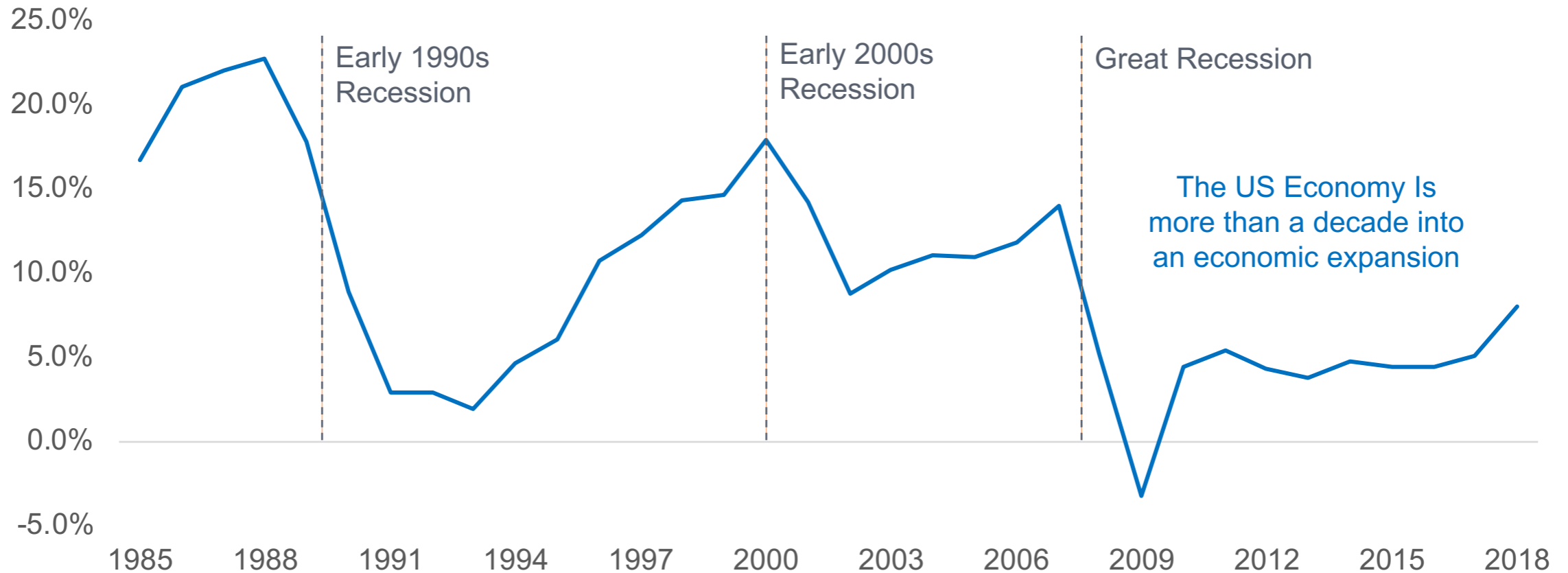
Cost Cutting / Leverage Increases

Leverage and/or Partnership Model Adjustments

# Is This As Good As It Gets?

## Revenue Growth

Year-on-Year Revenue Growth For Am Law 100



# If This Is As Good As It Gets For Big Law, It Is A Bad Sign

## Performance at Market Peek vs 2018

For Am Law 100 Firms

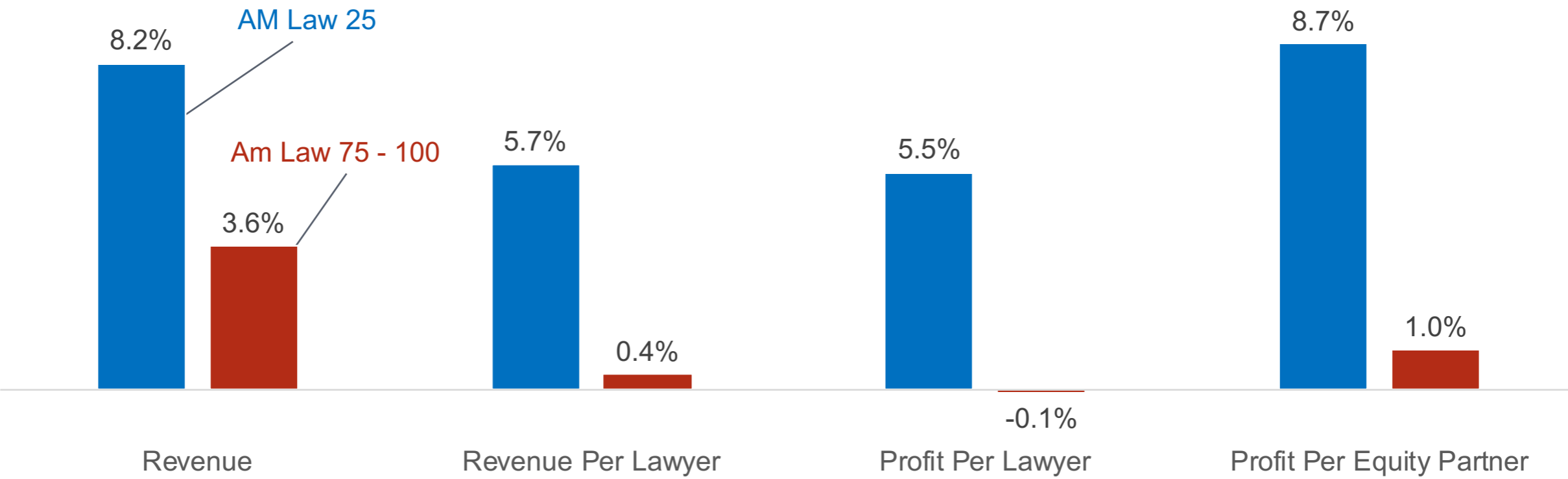
	Last Market Peek (2007)	This Market Peek (2018?)
Revenue Growth		
Revenue Growth	14%	8%
% of firms that Grew Faster Than 10%	67%	29%
Headcount Growth		
New Equity Partners Added	428	189
New Associates Hired	3,772	2,746
Lawyer Growth	7%	4%
Revenue Per Lawyer Growth		
RPL Growth	6%	4%
% of firms that Grew Faster Than 5%	62%	42%
Profitability Growth		
PPL Growth	9%	4%
PPP Growth	10%	7%

# Does The Am Law 75 – 100 Give Us A Sneak Peek Into The Performance Of The 2<sup>nd</sup> Hundred?

## Performance on Key Metrics

Average Y-on-Y Growth For Am Law 1-25 and Am Law 75 – 100

■ Am Law 25 ■ Am Law 75 - 100





# THANK YOU

Patrick Fuller , Vice President, Legal Intelligence

405-285-5358 | [pfuller@alm.com](mailto:pfuller@alm.com)

Nicholas Bruch, Director, Legal Market Intelligence

617-866-0229 | [nbruch@alm.com](mailto:nbruch@alm.com)

James Willer, Senior Analyst

+447564828176 | [jwiller@alm.com](mailto:jwiller@alm.com)