

NOVEMBER 2019

JONES DAY
2018 ANNUAL REVIEW
ALM LEGAL INTELLIGENCE

Executive Summary

- Jones Day's strategy includes maintaining a collaborative and multi-jurisdictional service delivery model across its global network while seeking to develop and deliver innovative and cost-effective client solutions
 - Ranked 9th in the 2019 Am Law 200, with 2,518 attorneys generating \$2B in FY2018 revenue across 41 global offices
 - Jones Day's headcount remained flat in 2018 amidst footprint decline in London, Latin America and the Asia Pacific
 - While headcount declined across several of its US offices, the firm has increased its footprint in the Midwest
 - Globally, the firm bolstered its footprint in Australia through office openings and lateral hiring in Melbourne, Brisbane and Perth
 - Jones Day experienced a high number of partner departures, impacting upon some of its biggest offices and practice areas
 - Despite partner exits, Jones Day increased attorney headcount in its banking and corporate practices across the US, Europe and Asia Pacific
- Jones Day posted robust financial metrics in 2018, outpacing its five-year average growth across leading financial KPIs
 - Revenue increased 5% to \$2B, while operating profit grew 5% to \$1B
 - Profit Per Lawyer (PPL) increased 3% to \$233K, outperforming three of its ALM Selected Peers*
 - Profit Per Equity Partner (PEP) climbed 8% to \$1M
 - To maintain its overall PEP, the firm reduced its equity partnership by 3% while increasing its associate leverage by 5%
 - Revenue Per Lawyer (RPL) increased 5% to \$817K, but was offset by a 5% increase in Cost Per Lawyer (CPL)
- In comparison to its peers, Jones Day has one of the highest percentage of female attorneys but the lowest percentage of minority attorneys
- Going forward, ALM Intelligence expects Jones Day to continue lateral hiring in areas of focused growth, including the US Midwest and Australia, while strengthening its presence across key office locations and global markets

* **ALM Selected Peers** = Greenberg Traurig, Mayer Brown, Morgan, Lewis & Bockius, Reed Smith See methodology section for peer group criteria.

See bibliography for links to underlying sources

Key Statistics: Jones Day

Jones Day outpaced its five-year average growth across four key financial metrics in 2018, including Profit Per Equity Partner (PEP), which doubled in growth. In a bid to maintain overall PEP, the firm reduced its equity partnership by 3%

	2018	Year-on-Year Growth 2017 - 2018	Average Annual Growth 2014 -2018
Revenue (\$M)	\$2,057	5%	3%
Profit (\$M)	\$1,004	5%	4%
Profit Margin	49%	0%	1%
Profit Per Equity Partner (\$K)	\$1,093	8%	4%
Revenue Per Lawyer (\$K)	\$817	5%	3%
Total Lawyers	2,518	0%	0%
Equity Partners	919	-3%	0%
Non-Equity Partners	--	--	--
Leverage	1.7	5%	1%

Metrics where the firm's year-on-year performance outpaced its five-year performance

Jones Day Global Footprint

Jones Day has 2,518 lawyers located across 42 global offices. In 2018, the firm's headcount remained relatively flat across the US and Continental Europe, while declining in Asia Pacific, London and Latin America

Lawyers by Global Region

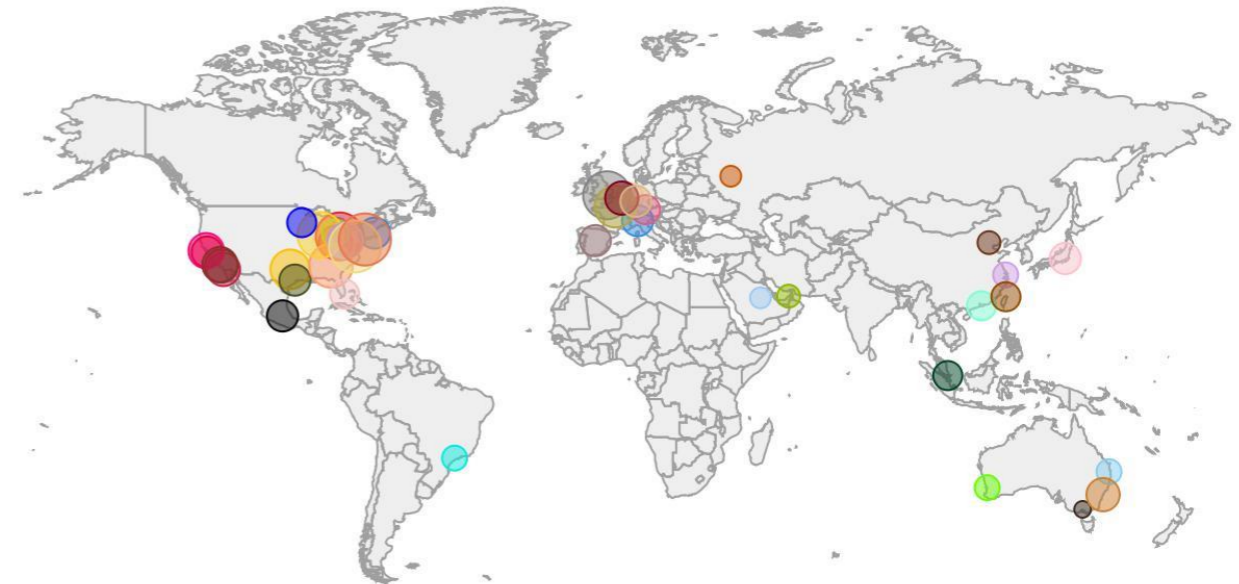
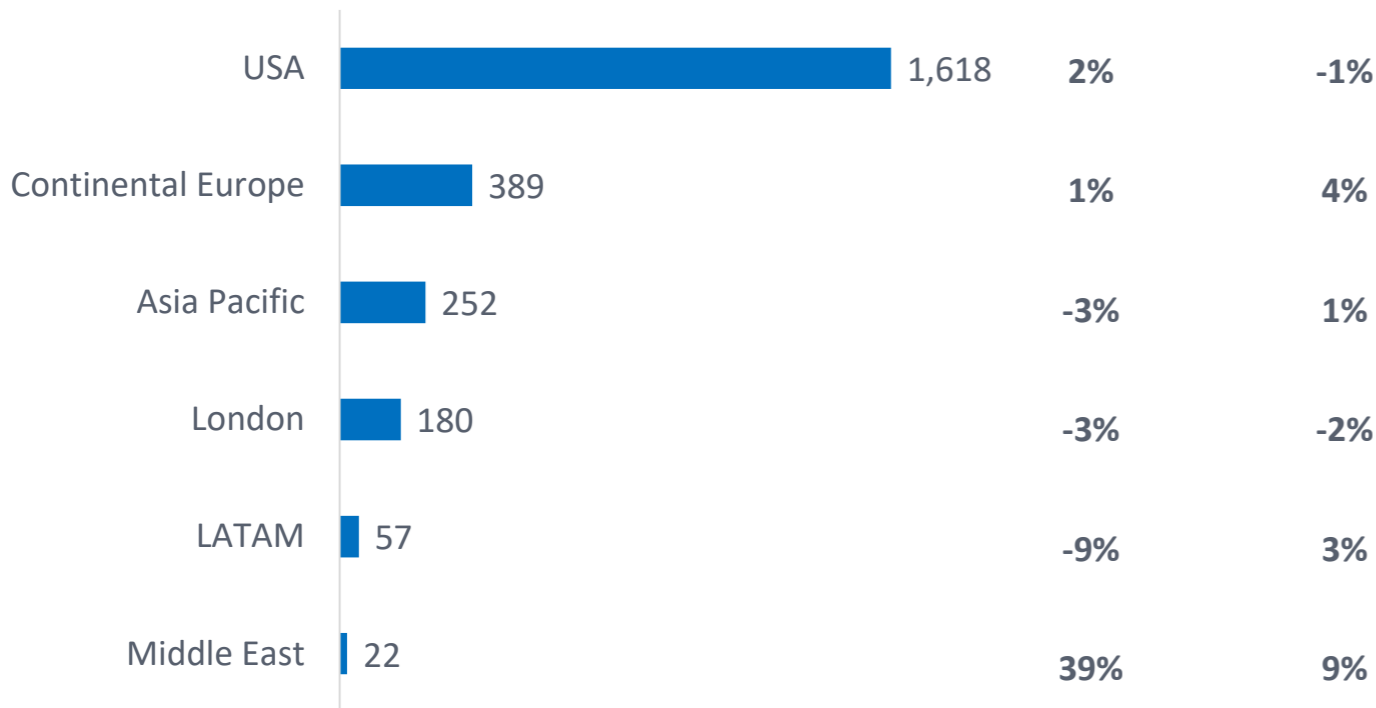
Jones Day, 2018

Year over Year
2017 – 2018

5 Year Average
2014 – 2018

Lawyers By Location

For Jones Day, 2018

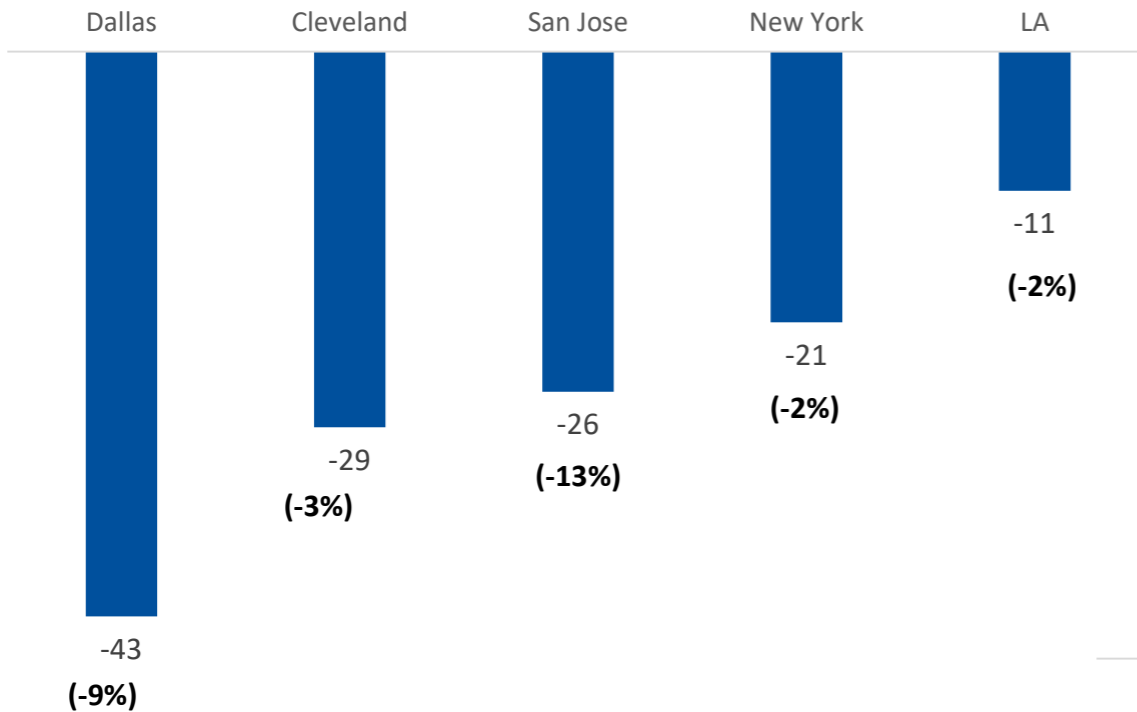


Domestic Growth

Jones Day experienced headcount decline across several of its US offices including Dallas, Cleveland and New York. In contrast, the firm increased its presence in the Midwest through office openings in Detroit and Minneapolis

Attorney Decline Across US Offices

For Jones Day, 2014-2018

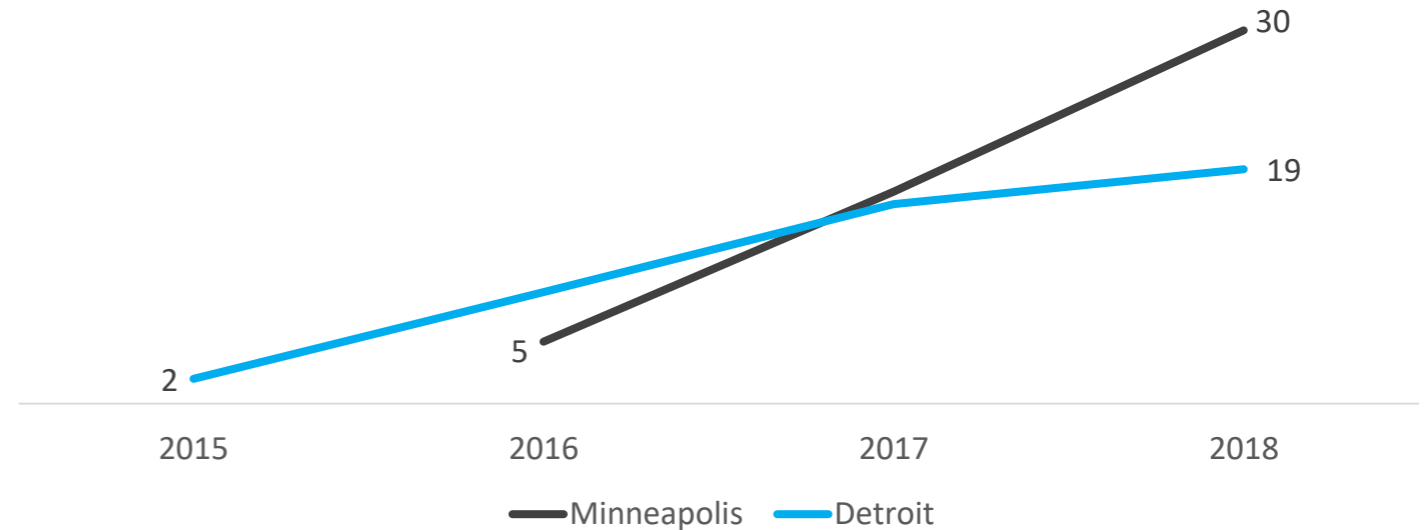


Expansion in the Midwest via New Offices

- Over the last five years, Jones Day expanded its presence in the Midwest through office openings in Detroit and Minneapolis. The firm has aggressively grown in the region, adding 38 attorneys across both offices in 2018 alone

Midwest Attorney Growth

For Jones Day, 2014-2018

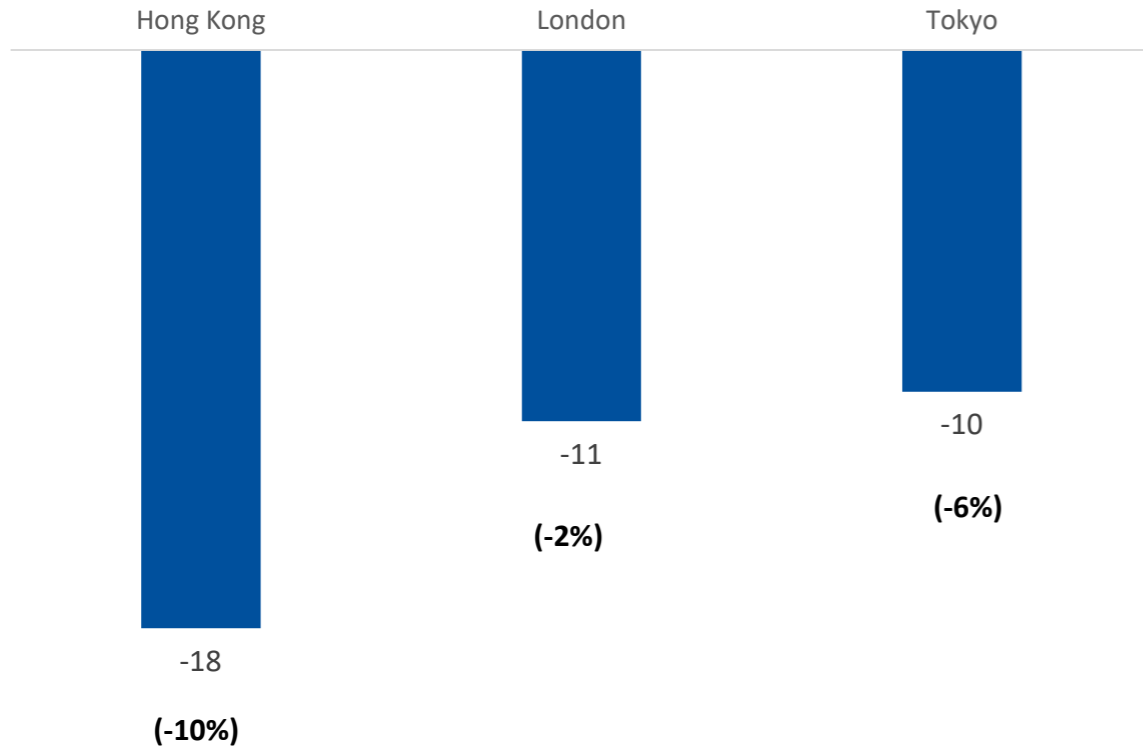


International Growth

Jones Day experienced footprint decline in the key international financial markets of London, Tokyo, and Hong Kong. The firm's global expansion focused on increasing its presence in Australia through lateral hiring and office openings

Attorney Decline Across Global Offices

For Jones Day, 2014-2018

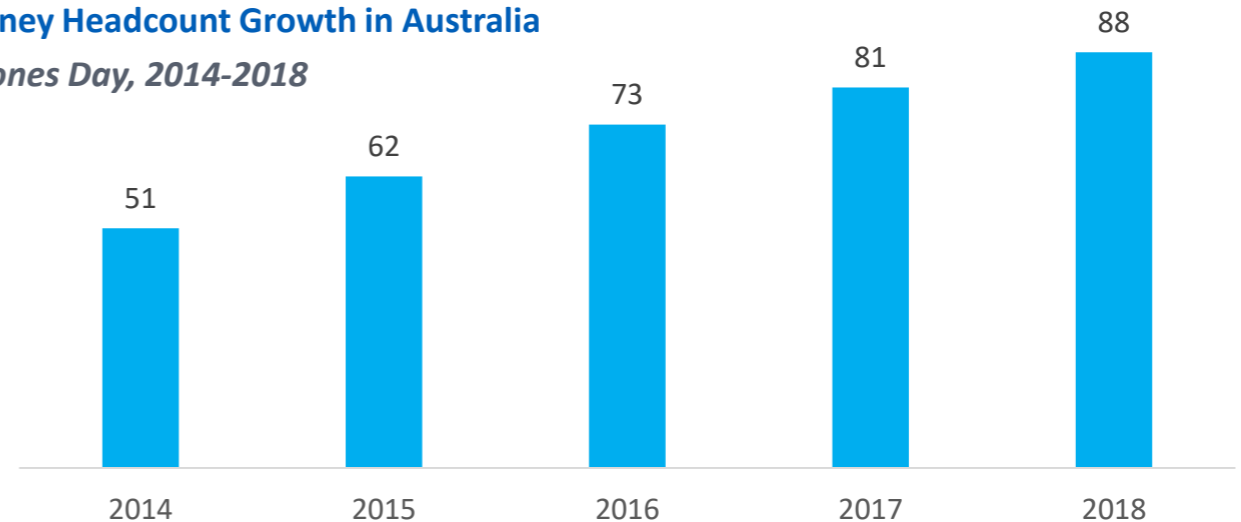


Growth in Australia

- Jones Day has increased attorney headcount by 73% in Australia over the last five years
- The firm launched a Melbourne office in 2018³ following the opening of offices in Brisbane (2016) and Perth (2014)
- Since opening, the firm has continued to expand its presence in Melbourne through lateral hiring, including an eight-lawyer tax team from local firm Clayton Utz⁴
- The firm used lateral hiring to strengthen its corporate⁵ and IP practices⁶ in Sydney and its energy group in Perth⁷

Attorney Headcount Growth in Australia

For Jones Day, 2014-2018

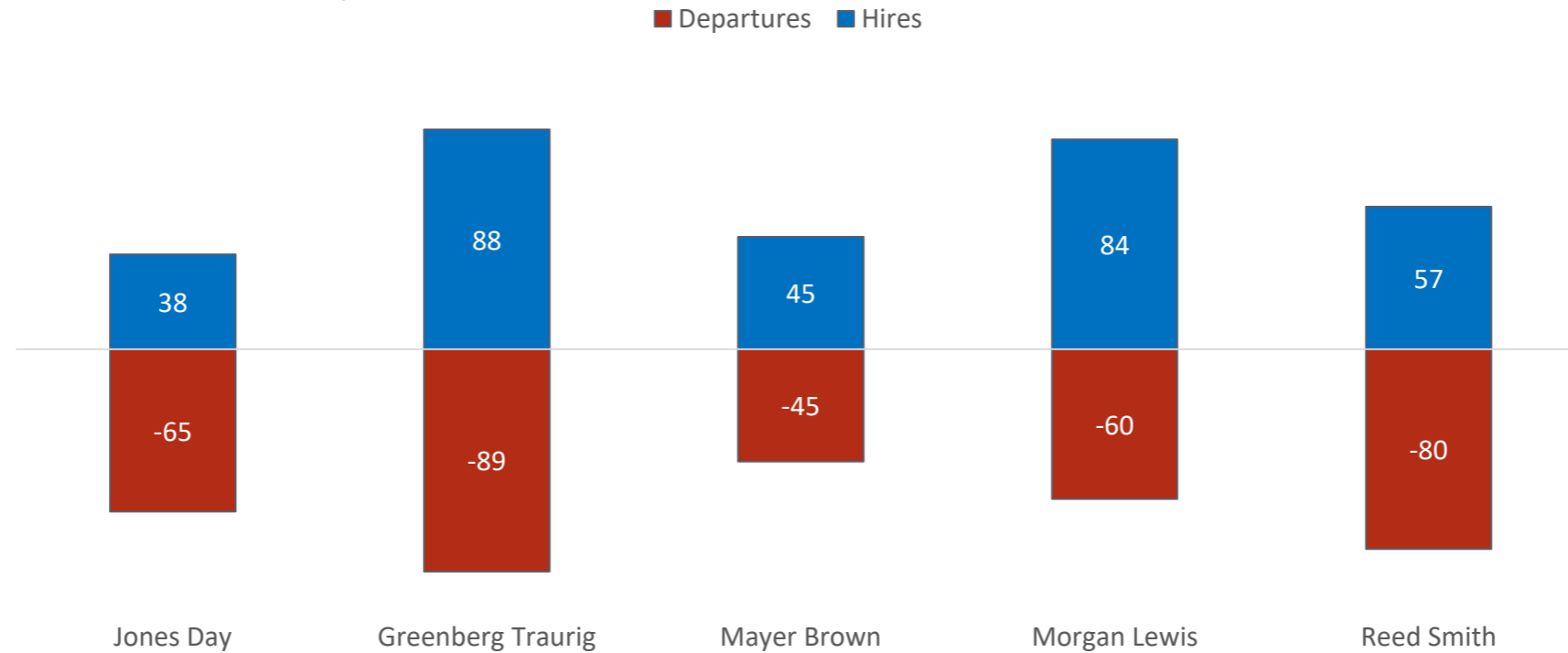


Jones Day Lateral Hiring

Jones Day hired 38 partners between 2017 and 2019, offsetting 65 departures across the same period

Lateral Partner Hires and Departures

For Jones Day Annual Report and ALM Selected Peers, 2017 - 2019



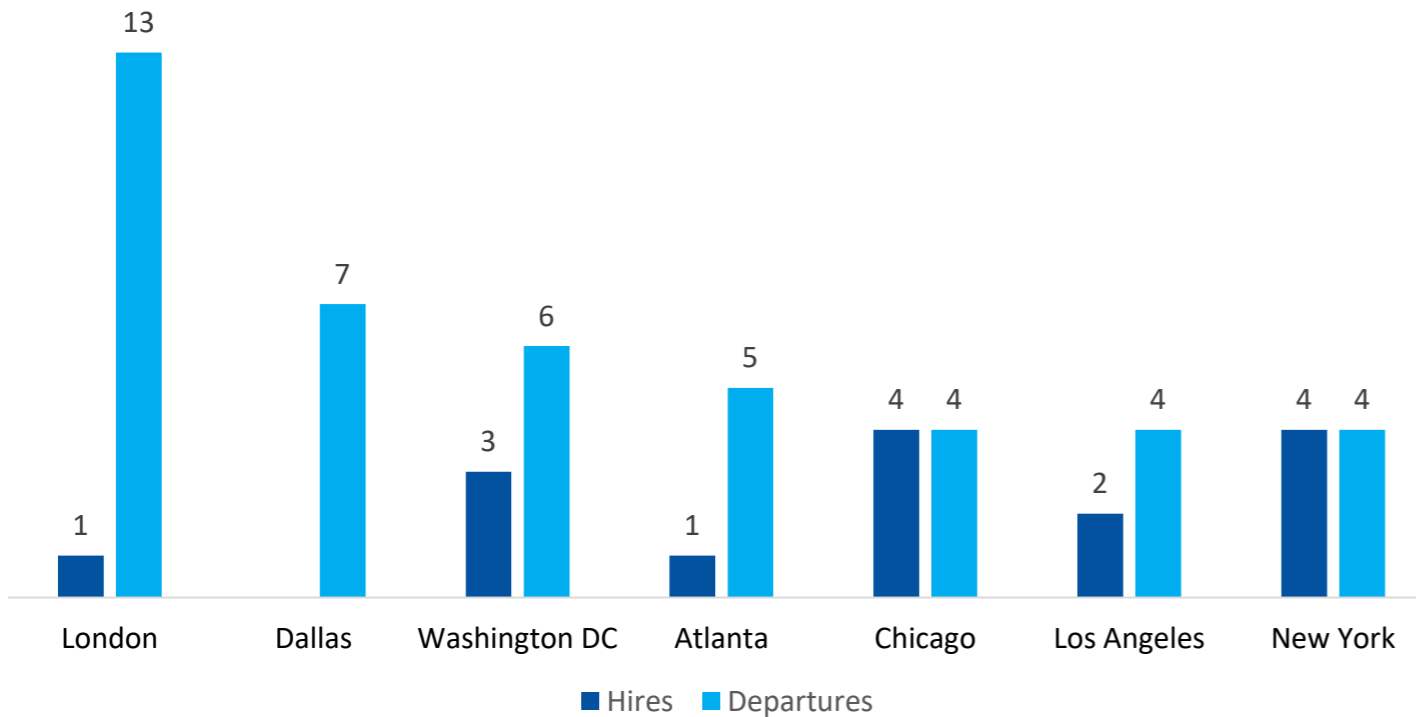
Note: Lateral hiring data is from the period January 2017 through February 2019

Lateral Activity Breakdown

Jones Day's departure activity has been largely concentrated in London² where 13 exits have impacted the firm's banking and corporate practices. The Dallas and Washington, DC offices also suffered departures during this period

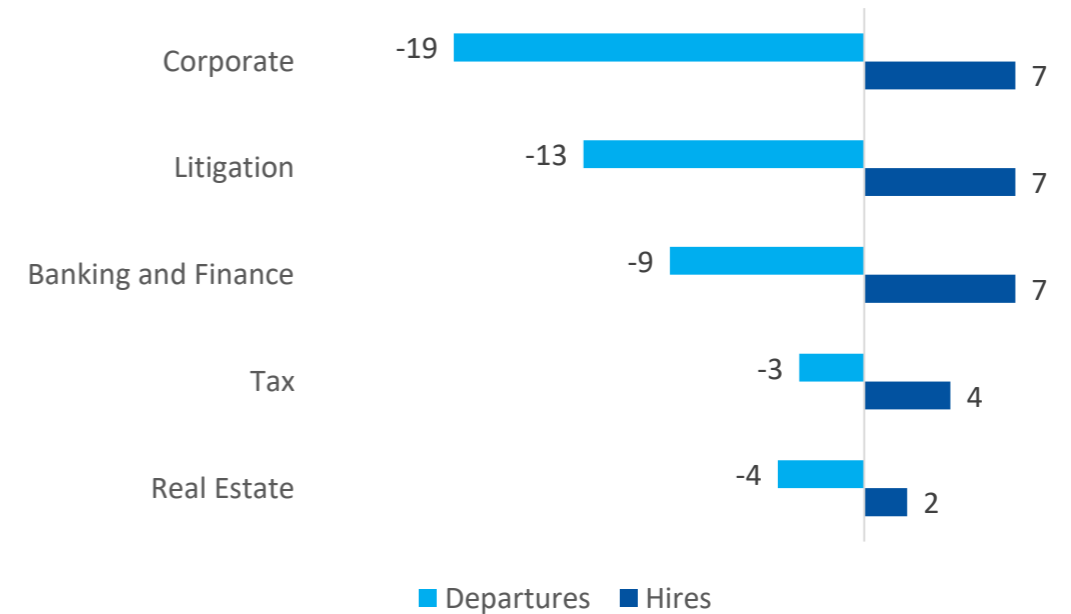
Top Five offices for Partner Hiring and Departure Activity

For Jones Day, 2017 - 2019



Top Five Practice Areas for Partner Hiring and Departure Activity

For Jones Day, 2017 - 2019



Note: Lateral hiring data is from the period January 2017 through February 2019

2018 Practice Area Growth

Despite partner losses, Jones Day expanded its banking, litigation and IP practices across the US, while bolstering its banking group in London and Paris

Practice Area Attorney Growth By Region

Jones Day Fastest Growing Practice Areas, 2018

	<u>10%+ YoY Growth</u>	<u>5-10% YoY Growth</u>
USA	<ul style="list-style-type: none"> Banking and Finance Litigation Intellectual Property 	<ul style="list-style-type: none"> Corporate Bankruptcy Energy
Europe	<ul style="list-style-type: none"> Banking & Finance Venture Capital & Private Equity M&A 	<ul style="list-style-type: none"> Antitrust Real Estate Intellectual Property
Rest of World	<ul style="list-style-type: none"> International and Cross-Border M&A 	<ul style="list-style-type: none"> Banking and Finance Energy

- In the US, banking, litigation and intellectual property were among the firm's fastest growing practices
- The firm strengthened its corporate and energy teams through the addition of two partners in Pittsburgh,⁸ while also adding to its energy practice in Boston⁹
- In Europe, Jones Day bolstered its banking practices in London¹⁰ and Paris in addition to its M&A and international and cross-border practices in Asia Pacific

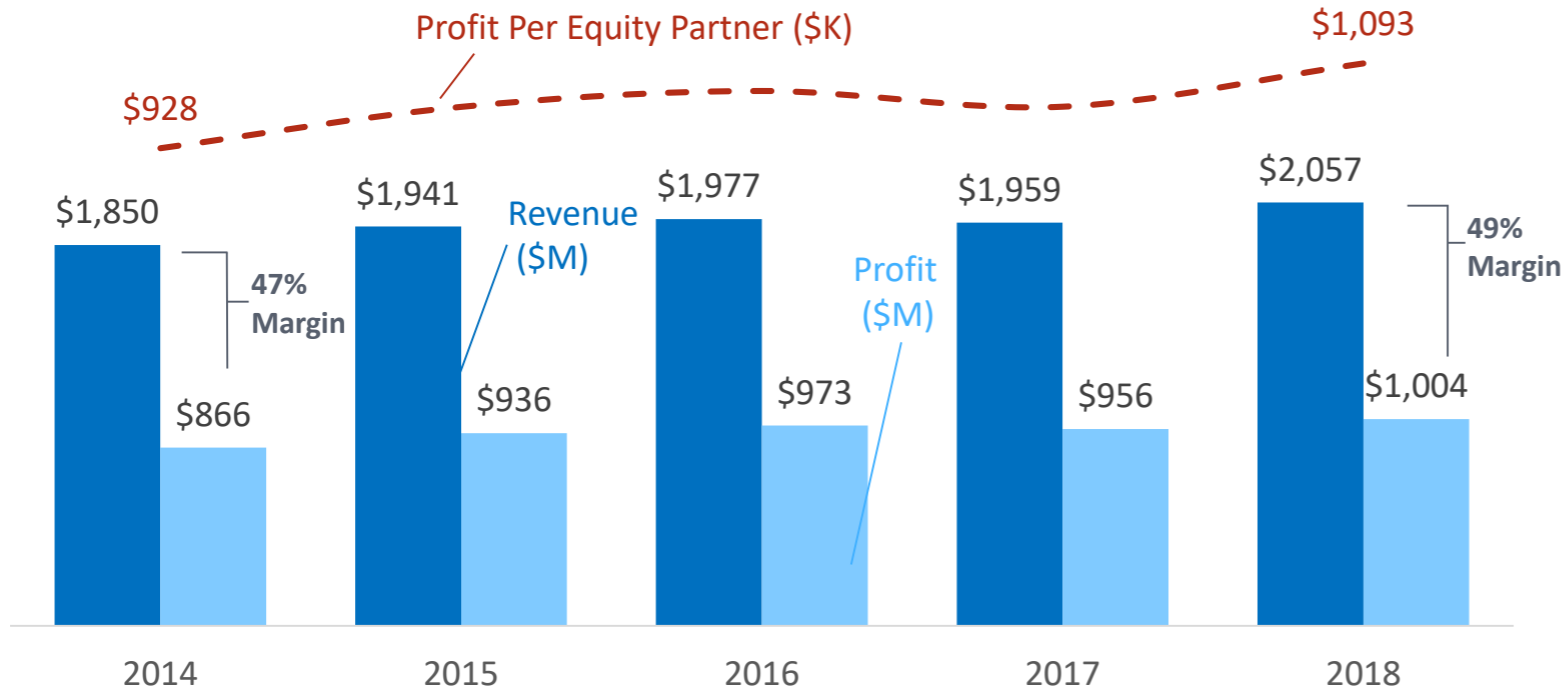
Performance in Key Financial Metrics

Jones Day posted robust 2018 financial results with revenue and profit increasing 5% leading to 8% Profit Per Equity Partner growth

Likely Drivers of PEP Growth

- 3% reduction in equity partnership
- 5% increase in associate leverage
- 5% RPL growth suggesting an increase in billable hours, utilization, realization and/or chargeable rates

Growth in Financial Key Metrics For Jones Day



Jones Day Year over Year Growth 2017 – 2018	Jones Day Average Annual Growth 2014 – 2018	ALM Selected Peers Average Annual Growth 2014 – 2018
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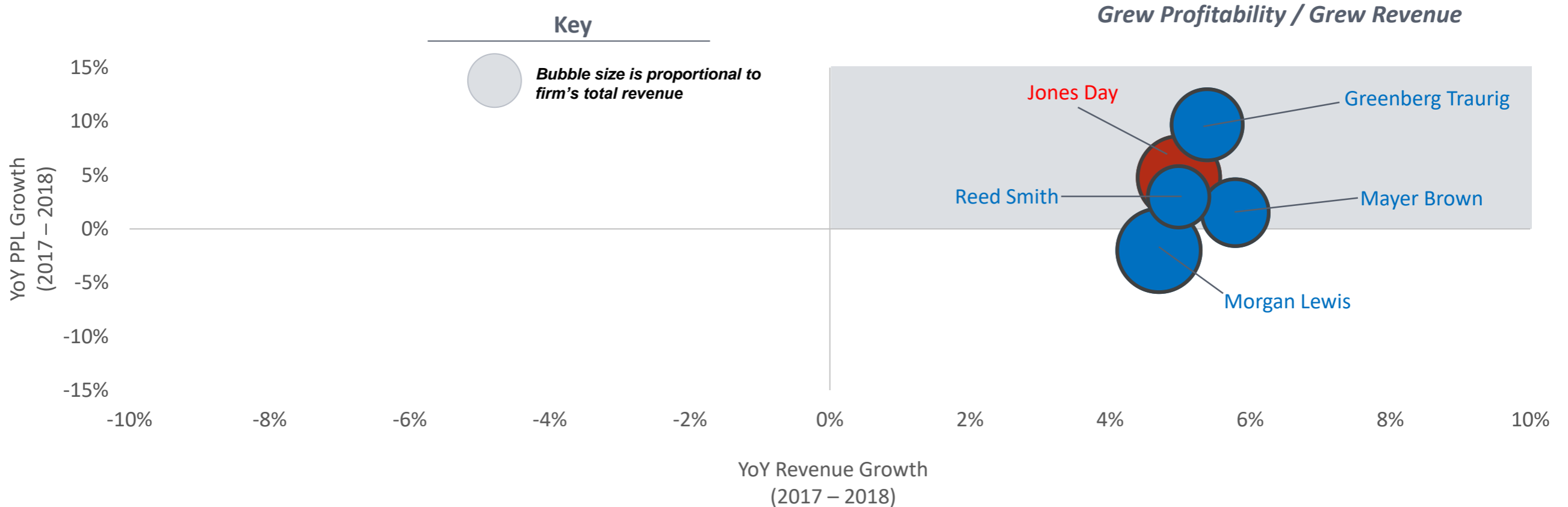
8%	4%	1%
5%	3%	6%
5%	4%	7%

2018 Revenue and PPL Growth

Jones Day's 5% revenue growth was comparable to its peer group, while its 5% PPL growth outperformed three of its four peers

Growth in Revenue and Profit Per Lawyer

For Jones Day and ALM Selected Peers



2017-2018 Performance Versus Peers

Jones Day generates the highest profit and the lowest Cost Per Lawyer (CPL) of its peer group but was outperformed across the remaining key performance indicators

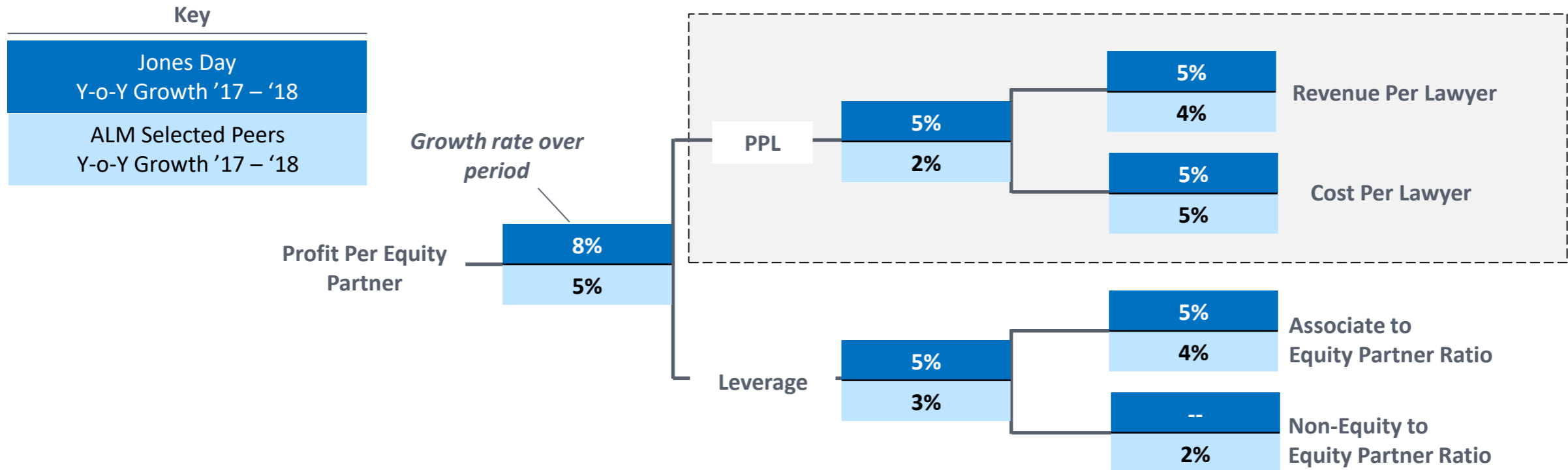
	Jones Day	Greenberg Traurig	Mayer Brown	Morgan Lewis	Reed Smith
<i>Best performance in these metric among peer group</i>					
2018 Financials					
• Revenue (\$M)	2,057	1,557	1,389	2,095	1,175
• Operating Profit (\$M)	1,004	539	466	997	360
• Profit Margin	49%	35%	34%	48%	31%
2018 Operating Metrics					
• Revenue Per Lawyer (\$K)	817	793	885	1,040	761
• Cost Per Lawyer (\$K)	418	519	588	545	528
• Profit Per Lawyer (\$K)	399	275	297	495	233
• Profit Per Equity Partner (\$K)	1,093	1,750	1,702	1,391	1,261
• Total Lawyers	2,518	1,962	1,570	2,015	1,544

Financial Analysis: One Year Profit Tree

Despite being the lowest amongst its peers, Jones Day's PEP increased at a higher rate than its peer group average in 2018, driven by strong PPL and leverage growth

Profit Tree Analysis: Growth Over One Year

Year-on-year change in key metrics for Jones Day and ALM Selected Peers Average, 2017 - 2018

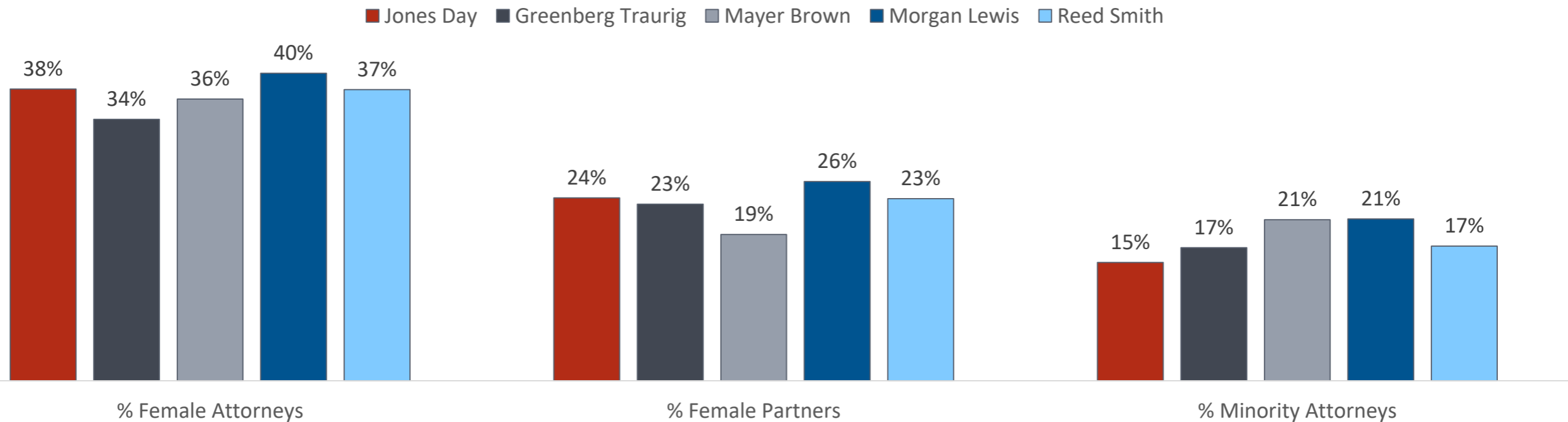


Gender & Minority Diversity

Jones Day has one the highest percentages of female attorneys and partners in comparison to its peers, but has one of the lowest percentages of minority attorneys

Percentage of Female and Minority Lawyers

For Jones Day and Selected Peers



Bibliography

- ¹ **Oil and Gas Litigators Return to K&L Gates in Texas After Stint at Winstead (22 March 2018)**
<https://www.law.com/texaslawyer/2018/03/22/oil-and-gas-litigators-return-to-kl-gates-in-texas-after-stint-at-winstead/>
- ² **Jones Day London exits mount as private equity partner joins White & Case (12 March 2018)**
<https://www.law.com/legal-week/2018/03/12/jones-day-london-exits-mount-as-private-equity-partner-joins-white-case/>
- ³ **Jones Day Adds Office in Melbourne — Its 4th Location in Australia (25 January 2018)**
<https://www.law.com/international/2018/01/25/jones-day-adds-office-in-melbourne-its-4th-location-in-australia/>
- ⁴ **Jones Day Ramps Up Australia Expansion With 8-Lawyer Tax Team in Melbourne (14 May 2019)**
<https://www.law.com/2019/05/14/jones-day-ramps-up-australia-expansion-with-8-lawyer-tax-team-in-melbourne-292-46052/>
- ⁵ **Jones Day Continues Australia Expansion With M&A Partner in Sydney (24 April 2019)**
<https://www.law.com/legal-week/2019/04/24/jones-day-continues-australia-expansion-with-ma-partner-in-sydney/>
- ⁶ **Jones Day Adds Ashurst IP Partner in Sydney (21 January 2019)**
<https://www.law.com/international/2019/01/21/jones-day-adds-ashurst-ip-partner-in-sydney/>
- ⁷ **Jones Day Continues Expansion in Australia, Hiring Ashurst Partner in Perth (13 November 2018)**
<https://www.law.com/international/2018/11/13/jones-day-adds-projects-partner-in-perth-from-ashurst/>
- ⁸ **Jones Day Adds Pittsburgh Partner Pair From Morgan Lewis, Reed Smith (12 February 2018)**
<https://www.law.com/thelegalintelligencer/2019/02/12/jones-day-adds-pittsburgh-partner-pair-from-morgan-lewis-reed-smith/>
- ⁹ **Jones Day's Newest Partner Seeks Nuclear Power Plant Proliferation (13 June 2018)**
<https://www.law.com/americanlawyer/2018/06/13/jones-days-newest-partner-seeks-nuclear-proliferation/?sreturn=20190825055559>
- ¹⁰ **Jones Day adds two new partners in London to Firm's Banking, Finance & Securities Practice (August 2018)**
<https://www.jonesday.com/en/news/2018/08/jones-day-adds-two-new-partners-in-london-to-firms>

Definitions and Methodology

- **Gross Revenue** is fees for legal services. It does not include disbursements or income from non-legal ancillary businesses. In all cases, the revenue and profit figures listed are for the firm's most recently completed fiscal year. Most Am Law firms are on a calendar fiscal year.
- **Net income** is compensation paid to equity partners.
- **Equity Partners** are those who file a Schedule K-1 tax form and receive no more than half their compensation on a fixed-income basis.
- **Non-equity Partners** are those who receive more than half their compensation on a fixed basis.
- **Revenue per lawyer (RPL)** is calculated by dividing the gross revenue by the number of lawyers and rounded to the nearest \$1,000.
- **Cost per lawyer (RPL)** is calculated by dividing the total costs by the number of lawyers and rounded to the nearest \$1,000.
- **Profit per lawyer (PPL)** is calculated by dividing the total net income by the number of lawyers and rounded to the nearest \$1,000.
- **Profits per equity partner (PEP)** is calculated by dividing net operating income by number of equity partners and rounded to the nearest \$1,000.
- **Leverage** is the ratio of all lawyers (minus equity partners) to equity partners
- **Associate leverage** is the ratio of all associates to equity partners
- **Non-equity leverage** is the ratio of all non-equity partners to equity partners
- **ALM Selected Peers:** Most law firms have a wide range of competitors which compete with the firm in specific geographies and/or practice areas. ALM's Selected Peer Group is designed to identify the firm-wide peers. ALM selects peers by weighing various factors including the firm's size, organizational structure, geographic footprint, and practice area specialty. Firm can utilize the data provided in ALM Legal Compass to benchmarked themselves against specific firms or peer groups.

Jones Day Peer Group

Firms were selected as a peer group for comparison due to their common structure, geographic coverage, and similar financials

Key Financial and Headcount Metrics

For Jones Day and the Firm's Peer Group, 2018

	Revenue \$M	RPL (\$K)	CPL (\$K)	PPL (\$K)	PEP (\$K)	Total Lawyers	Leverage	Total Offices	Percentage of Lawyers In USA
Jones Day	2,057	817	418	399	1,093	2,518	1.7	41	64%
Greenberg Traurig	1,557	793	519	275	1,750	1,962	5.4	40	84%
Mayer Brown	1,389	885	588	297	1,702	1,570	4.7	23	56%
Morgan Lewis	2,095	1,040	545	495	1,391	2,015	1.8	30	85%
Reed Smith	1,175	761	528	233	1,261	1,544	4.4	27	63%