



# The UK Legal Market

Recent Developments in Ownership and Investment

*very* *legal*  
A Brief History of Time

- 1970's Monopoly and Pricing Cartel
- 1980's Consumerism and Advertising
- 1990's Technology and Commoditisation
- 2000's Americans and ABS's
- 2010's Investing in Disruption

# Where are we now?

## Fragmented UK middle market

- Consolidation beginning – but slowly
- Lack of capital investment
- Regular mid-tier failures
- Clients driving change

# What changes?

- Change in client relationships
- Change in perception of value – advice or solutions?
- Change in service delivery methods
- Change in operating structures
- Changes to Generation Y

# Change costs money

- Drive to critical mass to enable growth
- Fragmentation to consolidation
- Growth by merger is slow and risky
- Clients and entrepreneurial lawyers are impatient
- Traditional law firm partnerships are seriously undercapitalised

# Traditional Law Firm finance

- Old style partnerships and LLPs
- Few Incorporations or IPOs
- No valuation of Goodwill
- “Naked in” and “Naked out”
- Off balance sheet borrowing
- Reliance on the Banks for Working on Development Capital
- Law Firms no longer a reliable customer

# Alternative models

- Alternative Business Structures (ABS)
- The Game Changer!!
- Legal Services Act 2007 – effective 2012
- Over 500 successful applications
- Enables investment in law firms by non-lawyers
- Enables multi-disciplinary partnerships with other professionals

# Opportunities created

- Appointing non-lawyers as Equity Partners
- Offering broader services by sharing the practice with other professionals
- Ability to raise external equity investment
- Acquisition of law firms by non-lawyer investors
- Incorporation and floatation of Law Firms
- In-house lawyers providing services to their employer's customers
- Debt for equity release of ailing law firms



# First targets

- Commoditised services
  - Residential property
  - Personal injury claims
  - Debt collection
- Sustainable income
- Strong management
- Scalable businesses

# Second wave

## Challenger “firms”

- Riverview Law – technology and fixed pricing
- Genus Law – fixed price bundles of work
- Keystone Law – centrally supported network
- Axiom Law – insourced legal staff

# Third wave

- Regional consolidators
- Mid level city firms
- Incorporated specialists

# Private equity

|                   |                            | Values |
|-------------------|----------------------------|--------|
| Knights           | Hamilton Bradshaw          | u/d    |
| Keoghs            | Lloyds Development Capital | £25m   |
| McMillan Williams | Business Growth Fund       | £5m    |
| Robert Jackson    | North Edge Capital         | £15m   |
| Legal Zoom        | Permira                    | £135m  |
| Parabis           | Duke Street                | £150m  |
| NAHL              | Inflexion                  | £60m   |

# Corporate investors

|                   | Revenues |
|-------------------|----------|
| Irwin Mitchell    | £252m    |
| Minister Law      | £55m     |
| PwC Legal         | £41m     |
| KPMG Legal        | £10m     |
| Slater and Gordon | £231m    |

# Successes and failures

- Slater and Gordon
- Parabis
- Knights
- Gateleys – Share price
- Co-op Legal Services
- King Wood Malteson

# The big questions

- Why invest in Law Firms?
- Can we move from PEP to Net Profit?
- Is the current model sustainable?
- Are Partners really necessary?