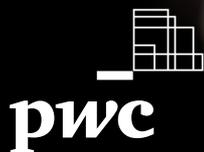


strategy&

UK Legal Services Market Report 2022

July 2022



Introduction

The Legal Services sector is one of the UK's most important industries, contributing to c.3% of Gross Value Added to the UK economy, and is an important net exporter of services.

Despite its long history, it has experienced a period of rapid change over the last 20 years, driven by a combination of market forces including regulatory change, economic turbulence, globalisation, and technological innovation.

As we reported within the 2021 PwC Annual Law Firms' Survey, the market experienced disruption throughout Covid-19, albeit compared to other sectors, fared well through this challenging period. The market is now seeing renewed growth and optimism.

The sector has proven itself an attractive market for investment, with opportunity for firms to generate significant equity value, while simultaneously delivering important outcomes for society.

This report aims to provide a summary of the market, its key service lines, the outlook and key providers.

Its focus is on key service lines delivered by solicitors and in particular; Personal Injury Legal Services, Consumer Legal Services, and Corporate Legal Services for UK businesses.



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It is not possible for us to assess with any certainty the implications of Covid-19 on the legal services market, either in terms of how long the current crisis may continue or in terms of its impact, potential or actual, on the market. As such, any comments on the impact of Covid-19 on the market can only be of a general nature, and should therefore be treated with considerable caution.

The war between the Russian Federation and Ukraine (the "war") has resulted in considerable uncertainty on the potential implications for the legal services market. We cannot predict the potential impact on the legal services market nor on the potential wider economic and business consequences (including sanctions or actions already taken, or which may be taken, by any government) of the war.

Glossary of terms

Term	Definition
ABS	Alternative Business Structure - an alternative to a legal partnership, enabled by the Legal Services Act in 2011, which allowed non-qualified lawyers to lead law firms
CLA	Civil Liability Act 2018
Clinical Negligence (CN)	A sub-set of the PI service area concerned with injuries as a result of negligent medical intervention
CMA	Competition and Markets Authority: a non-ministerial government department responsible competition regulation
Complex motor	PI claims relating to a motor accident, with a higher expected damages value, considered as £25k or more for the purpose of this report
Conveyancing	Conveyancing refers to the legal process of transferring the contractual title of a property from owner to buyer
Court of Protection (CoP)	Court created under the Mental Capacity Act 2005, having jurisdiction over the personal welfare, financial affairs & property of people who lack mental capacity to make decisions for themselves
Defined Benefit (DB) pension	A pension scheme set up by an employer whereby a retiree receives a set benefit each year after retirement
Defined Contribution (DC) pension	A pension scheme based on how much money has been contributed into the pension pot (and grown over time) by the individual and/or employer
Discretionary Fund Management	Discretionary Fund Management is when an investment professional known as a Discretionary Fund Manager (DFM) builds and manages a portfolio of investments on a client's behalf
Employer Liability (EL)	A sub-set of the PI service area concerned with injury, disease or other loss of fitness suffered as a result of an employer's actions, or lack thereof
Family law	Family law focuses on legal matters related to family relationships such as marriage, adoption, divorce, and child custody, and financial settlements and distribution of assets
HMRC	Her Majesty's Revenue and Customs, a non-ministerial department of the UK Government responsible for the collection of taxes and payment of state support

Term	Definition
In-house	Legal advice from solicitors employed directly by a company or public body, as opposed to third party legal advice from a legal services firm
LASPO	Legal Aid, Sentencing and Punishment of Offenders Act 2012
Legal Services Board	Legal Services Board is an independent oversight regulator of legal services in England and Wales
Leverage	The ratio of lawyers to partners in a given firm
NHSR	NHS Resolution, formerly The NHS Litigation Authority (NHS LA), a not-for-profit part of the NHS providing expertise on resolving concerns and disputes
ONS	Office of National Statistics is an independent producer of official statistics responsible for collecting and publishing statistics related to the economy, population and society at national, regional and local levels
PEP	Profit per Equity Partner – a common performance index for LLPs, denoting the average share of profits allocated to each equity partner in the period
Personal Injury (PI)	A legal services area concerning litigation in response to a significant injury or loss of fitness sustained by an individual, for which another party can be held accountable. Can be considered from a claimant (the injured party) and defendant (the defending party) perspective
Probate	Probate refers to the legal process of review of a will to determine its validity
Public Liability (PL)	A sub-set of the PI service area concerned with injury, disease or other loss of fitness suffered as a result of the Government (local or central)'s actions, or lack thereof
SRA	Solicitors Regulation Authority is the regulatory body governing solicitors in England and Wales
Volume motor	PI claims relating to a motor accident, with a lower expected damages value, considered as less than £25k for the purpose of this report

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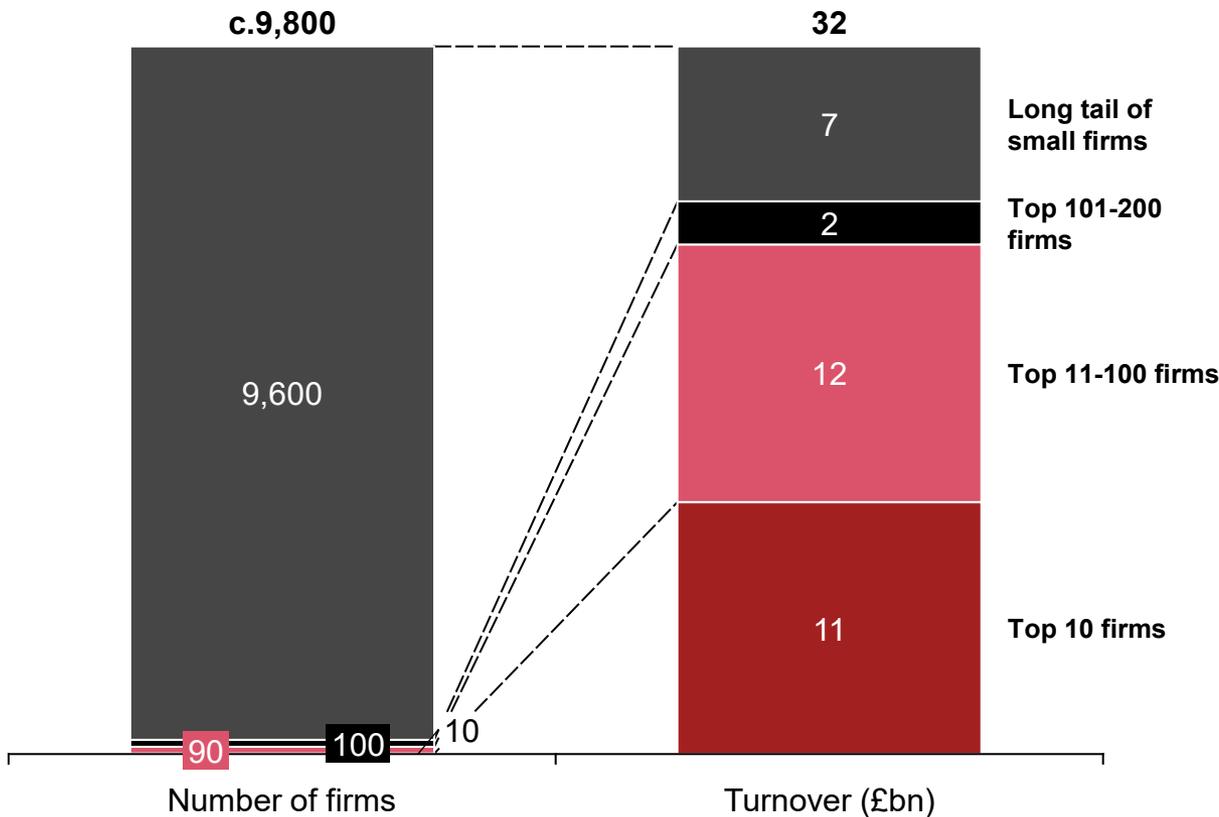
Competitive landscape

Growth adjacencies

There are c.9,800 UK law firms with total estimated turnover of c.£32bn (2021)

UK legal services market size¹

#, £bn, 2021

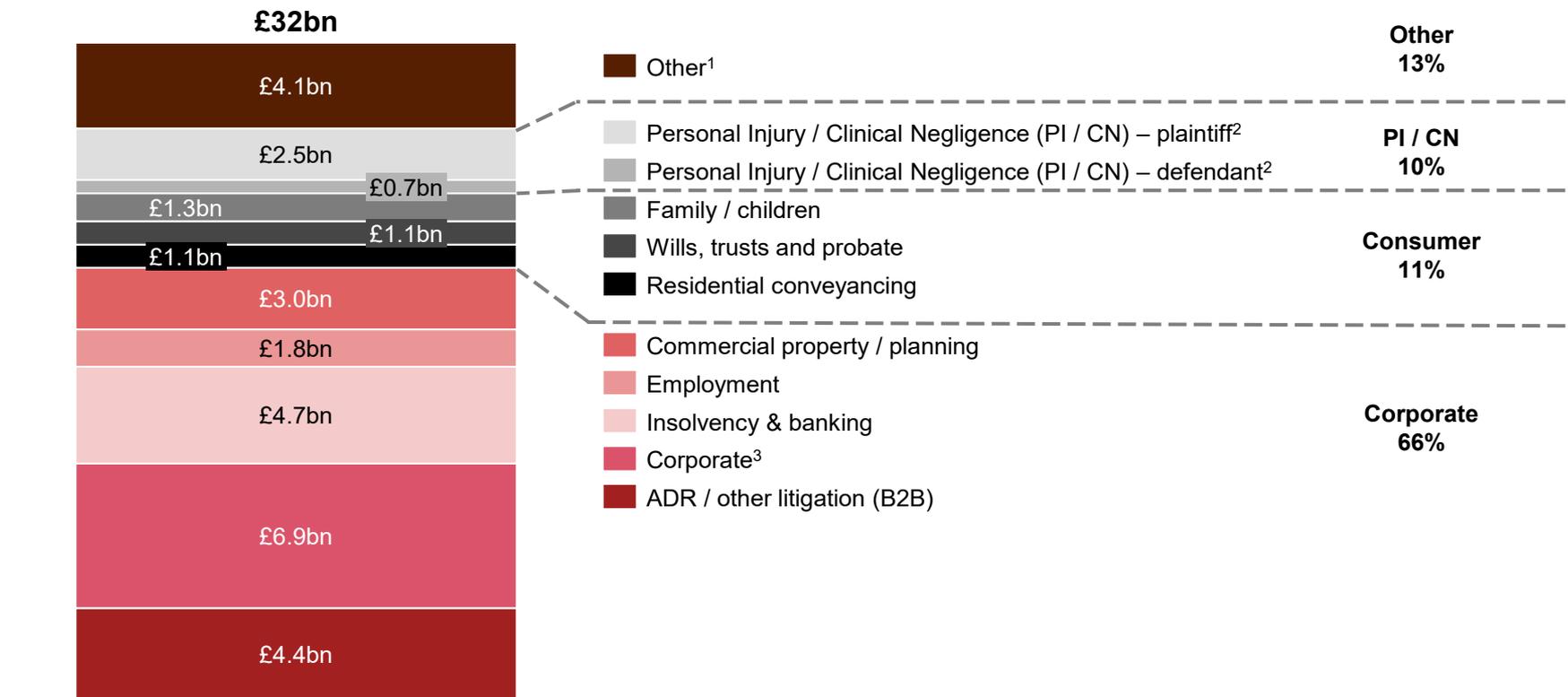


- The top 10 legal firms account for c.35% of the market and are primarily focused on corporate law
- The mid tier firms (11-200 firms) account for c.40-45% of the market, with a wide range in the size and focus of firms across corporate and consumer services
- The market has a long tail of c.9,600 firms - mainly 'high-street' firms and private practitioners, that contribute c.20-25% of the market and provide a range of services that are weighted towards services for consumers and SME corporates

Two thirds of the market relates to Corporate legal services

UK Legal Services market size, by practice area

£bn, 2021

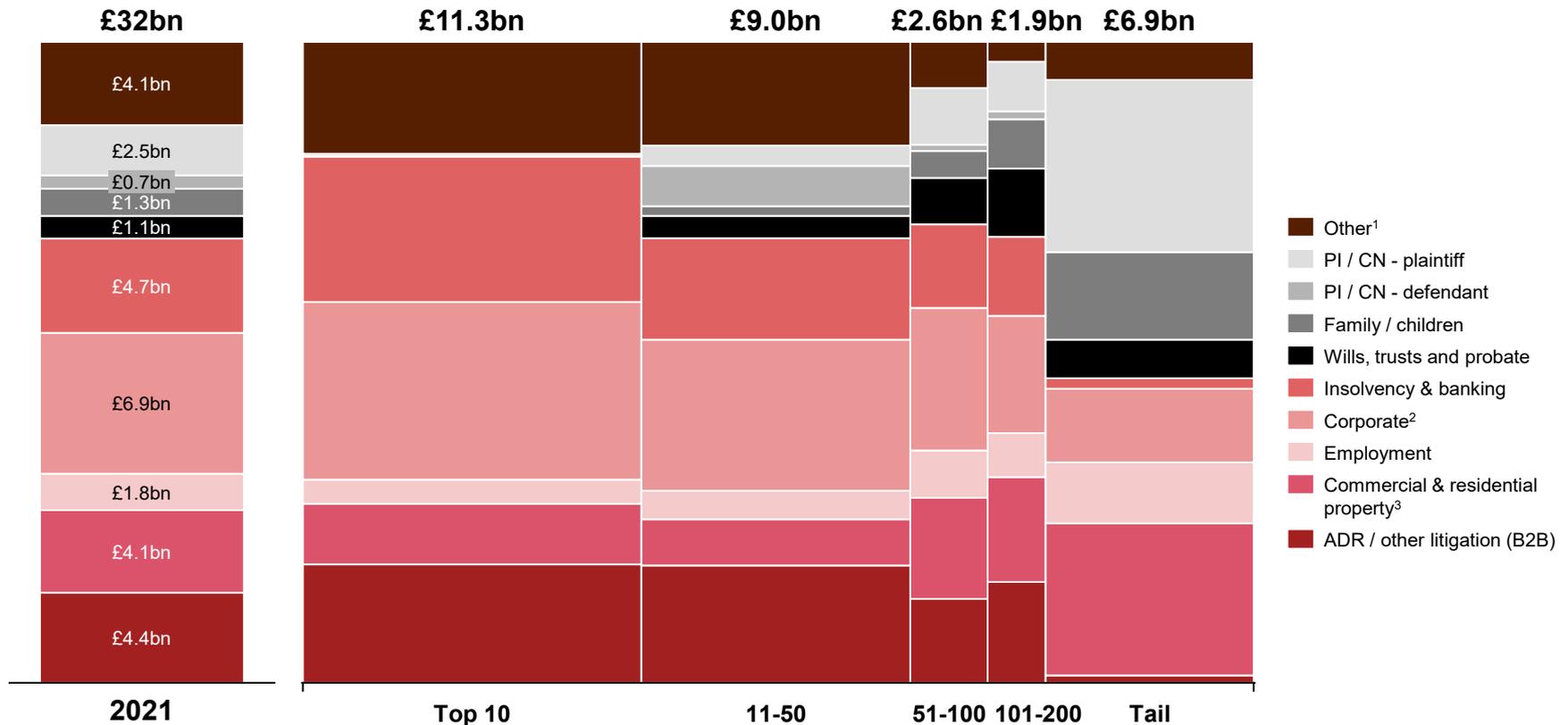


Notes: 1) Includes other corporate service lines: tax, pensions, energy, marine, regulatory, competition, environmental, charity, immigration, and other consumer service lines: criminal, property disputes and human rights / civil liberties; 2) Plaintiff captures legal services provided to the injured party bringing the claim, defendant captures legal services provided to defend against the claim, this is typically on behalf of the insurer. PI includes Court of Protection legal services where relevant; 3) Includes construction, IT and IP law. Source: Mintel, IRN, PwC Annual Law Firms' Survey, Strategy& Analysis

Top tier firms focus on corporate; mid-tier and 'high street' firms provide a mix of corporate and consumer services

UK Legal Services market size, by practice area and tier of firm

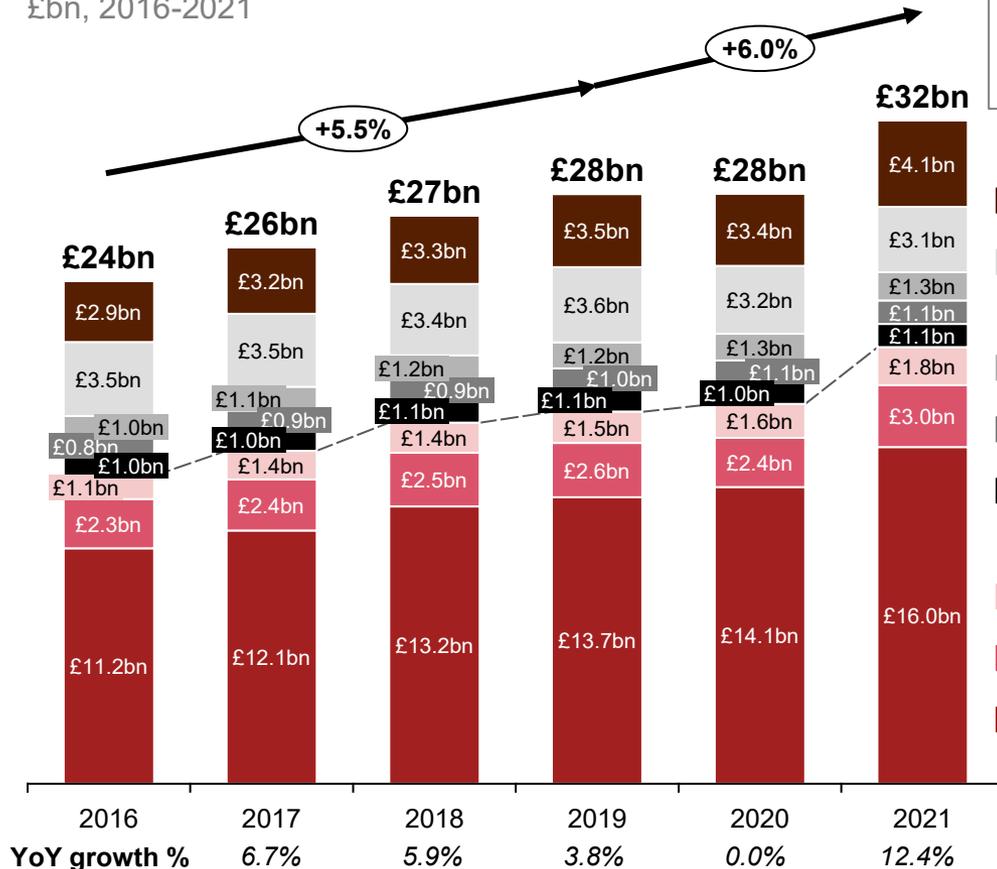
£bn, 2021



Notes: 1) Includes other corporate service lines: tax, pensions, energy, marine, regulatory, competition, environmental, charity, immigration, and other consumer service lines: criminal, property disputes and human rights / civil liberties; 2) Includes construction, IT and IP law; 3) Residential conveyancing combined with commercial property/planning for the purposes of segmenting revenue by tiers. Source: Intel, IRN, PwC Annual Law Firms' Survey, Strategy& Analysis

Corporate segments grew at c.7% p.a. between 2016-21 vs. consumer segments at c.5% p.a.

Total addressable UK legal services market, by segment
£bn, 2016-2021



PI / CN was impacted by the Government restrictions on movement during the Covid-19 pandemic, as well as the impact of regulation in 2021

Pre-Covid-19

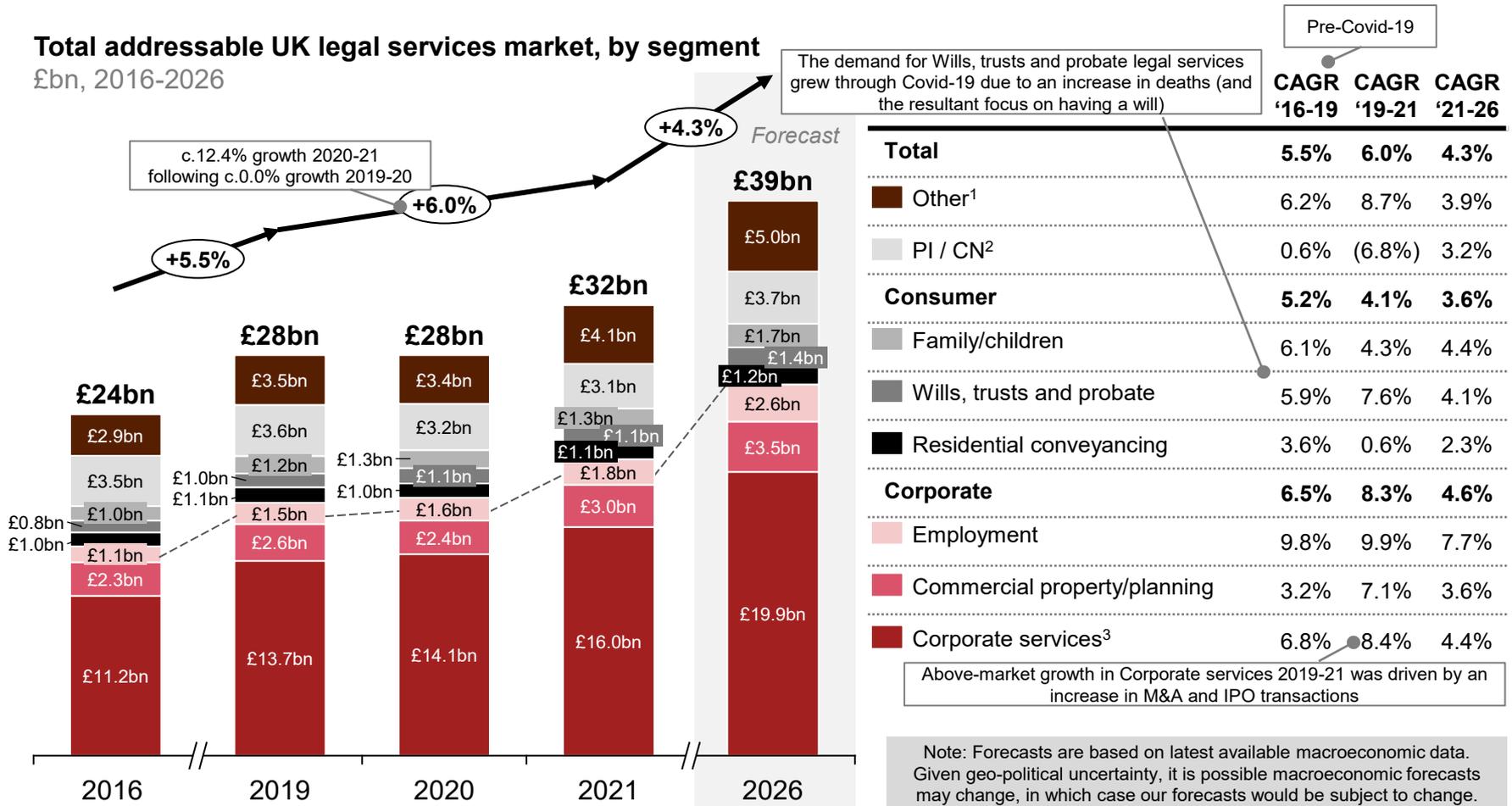
	CAGR '16-19	CAGR '19-21	CAGR '16-21
Total	5.5%	6.0%	5.7%
Other ¹	6.2%	8.7%	7.2%
PI / CN ²	0.6%	(6.8%)	(2.4%)
Consumer	5.2%	4.1%	4.7%
Family/children	6.1%	4.3%	5.4%
Wills, trusts and probate	5.9%	7.6%	6.6%
Residential conveyancing	3.6%	0.6%	2.4%
Corporate	6.5%	8.3%	7.2%
Employment	9.8%	9.9%	9.8%
Commercial property/planning	3.2%	7.1%	4.8%
Corporate services ³	6.8%	8.4%	7.4%

Employment legal services has grown above the wider market 2016-21, driven by an increased scrutiny of discriminatory working practices

c.4% p.a. forecast growth (2021-26) represents a degree of moderation of the strong growth achieved from 2020-21

Total addressable UK legal services market, by segment

£bn, 2016-2026



The legal sector has several non-cyclical and countercyclical practice areas, suggesting some resilience to downturns

Practice area	Cyclicity	Cycle response	Degree of resilience
Consumer PI / CN	<ul style="list-style-type: none"> Largely uncorrelated to economic cycles as demand is driven by underlying accident rates. Adverse impact of exceptional events like Covid-19 is not directly related to economic cycles, but rather a function of Government restrictions 	⟷	●
Family / children	<ul style="list-style-type: none"> Largely uncorrelated as driven by stable demographic trends in marriage, divorce and abuse rates, which see limited impact in economic cycles 	⟷	●
Wills, trusts and probate	<ul style="list-style-type: none"> Largely uncorrelated as driven by stable demographic trends of aging population and mortality rate, as well as wealth accumulation 	⟷	●
Residential conveyancing	<ul style="list-style-type: none"> Highly correlated to the economic cycle, with the volume of transactions driven by consumer confidence, employment and interest rates 	≡	◐
Employment	<ul style="list-style-type: none"> Redundancy disputes and unfair dismissals typically increase during periods of economic downturn 	≡	◑
Commercial property	<ul style="list-style-type: none"> Highly correlated to commercial real estate investment activity, which is tied to the economic cycle; commercial property dispute work partly insulates the cyclicity 	≡	◑
Corporate and banking	<ul style="list-style-type: none"> High correlation to macroeconomic factors and investment/deal activity 	≡	◐
Insolvency	<ul style="list-style-type: none"> High inverse correlation to economic growth, with Insolvency and Restructuring services in demand during challenging economic environments 	≡	●
Commercial litigation	<ul style="list-style-type: none"> Previous recessions were followed by a slight rise in disputes, as economic distress can affect commercial agreements, supply chains, and compliance 	≡	◑

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Several key themes are impacting the UK legal services market

Key trend	Description
Regulation / liberalisation	<ul style="list-style-type: none"> The 2011 Legal Services Act (LSA) has driven a significant shift in the industry with an increase in the number and diversity of corporate providers – driving increased competition
External investment	<ul style="list-style-type: none"> The LSA enabled an influx of investment into the sector from both private and public capital. This presented both risk and significant opportunity for incumbents
In-sourcing	<ul style="list-style-type: none"> Businesses have grown in-house legal teams to reduce costs, leading to lower demand and higher competition for corporate legal services
Solicitor compensation	<ul style="list-style-type: none"> Competition for hiring top talent is increasing lawyer compensation across law firms of all sizes National and regional firms are facing a widening disparity in salaries compared with magic circle and US law firms
Consolidation	<ul style="list-style-type: none"> Law firms have engaged in M&A activity to expand geographic reach, improve performance and maintain margins – consolidation has accelerated recently, enabled by new funding
Technology	<ul style="list-style-type: none"> Law firms have increased investments in technology to improve client service, drive operational improvements and retain margins
Pricing	<ul style="list-style-type: none"> Whilst there has been pressure on fees from increased competition and regulatory pressure, the industry has largely been able to pass on fee inflation (in real terms)
Profitability	<ul style="list-style-type: none"> Overall the industry remains highly profitable, albeit with some bifurcation in the margins of top tier firms and mid-tier firms (with mid-tier firms seeing reducing margins relative to top tier)

The Legal Services Act was a catalyst for change, allowing legal firms to transform corporate structures

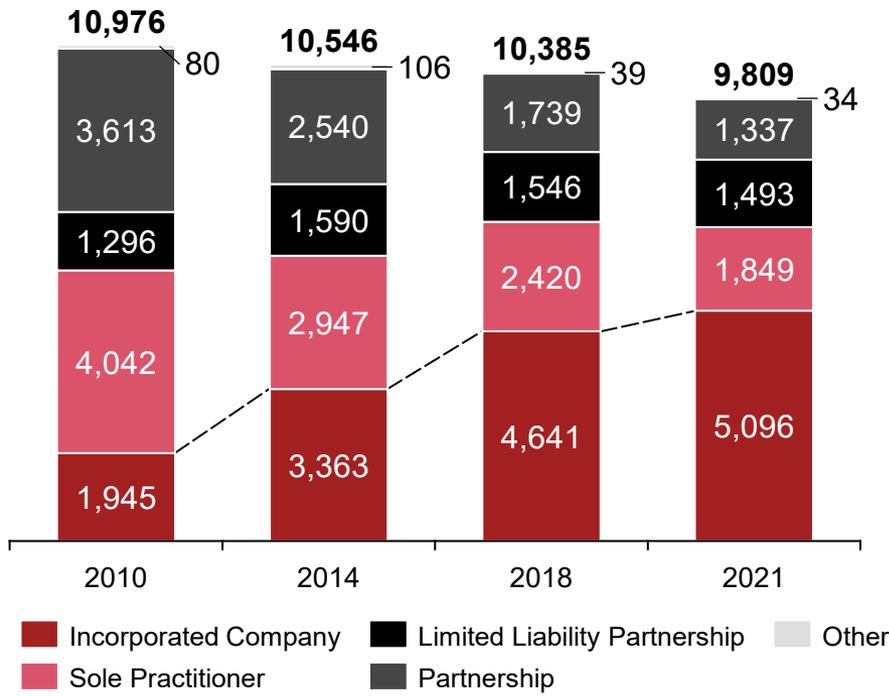
The Legal Services Act was a seismic reform, enabling new legal provider ownership structures

Since then, there has been a clear shift away from partnership models to corporate structures

- The Legal Services Act 2007, (effective 2011), introduced pivotal reform to the market, allowing Alternative Business Structures (ABS) to participate in provision of legal services. This has driven:
 - Growth in ABS firms, via conversion of existing companies and through new entrants
 - A wide range of ownership and funding structures inc. public companies, diversified corporates (e.g. insurance), PE-backed firms, foreign law firms, and multi-disciplinary professional services firms
 - Increased law firm ability to obtain external investment / capital, (fuelling spending on tech solutions and M&A)

Corporate structures adopted by SRA firms over time

of firms, 2010-2021¹



Legal services business models have diversified, with new corporate structures and entry of specialist outsourcing firms providing legal support

Type of provider	Example firms (Non-exhaustive)	Description of services	Business model
Traditional law firm		<ul style="list-style-type: none"> • Full service or specialist legal services • Corporate and/or consumer focus 	<ul style="list-style-type: none"> • Traditional partnership model
Corporate / PLC law firm		<ul style="list-style-type: none"> • Full service • Corporate law focus 	<ul style="list-style-type: none"> • Corporate ownership structure enables increased funding and more effective mgmt. decision-making
Professional services (multi-disciplinary practice)		<ul style="list-style-type: none"> • Full service • Corporate law focus 	<ul style="list-style-type: none"> • Full suite of professional services that enables strong cross sell opportunities
Corporate with specialist legal division		<ul style="list-style-type: none"> • Specialist legal services • Typically consumer law, e.g. Personal Injury, Private Client, Property) 	<ul style="list-style-type: none"> • Corporates that have sought cost mgmt. through in-housing legal services (e.g. insurers), or expanded to capture new revenue lines (e.g. Co-op)
Captive LPO ¹		<ul style="list-style-type: none"> • Low to medium complexity tasks (e.g. eDiscovery, document review, contract mgmt., M&A due diligence, IP mgmt.) 	<ul style="list-style-type: none"> • Outsourcing businesses that focus on technology and process improvement to deliver legal services at better value
Independent LPO ¹ / MSP ²		<ul style="list-style-type: none"> • Medium to high value legal services 	<ul style="list-style-type: none"> • Networks of flexible lawyers that help law firms / in-house teams meet volatile demand and/or specialist skill sets
Contract lawyers		<ul style="list-style-type: none"> • Basic consumer legal services 	<ul style="list-style-type: none"> • Tech-enabled, self-serve legal services for consumers
Online services			

New corporate structures have facilitated investment from private and public capital markets...

Investments in law firms

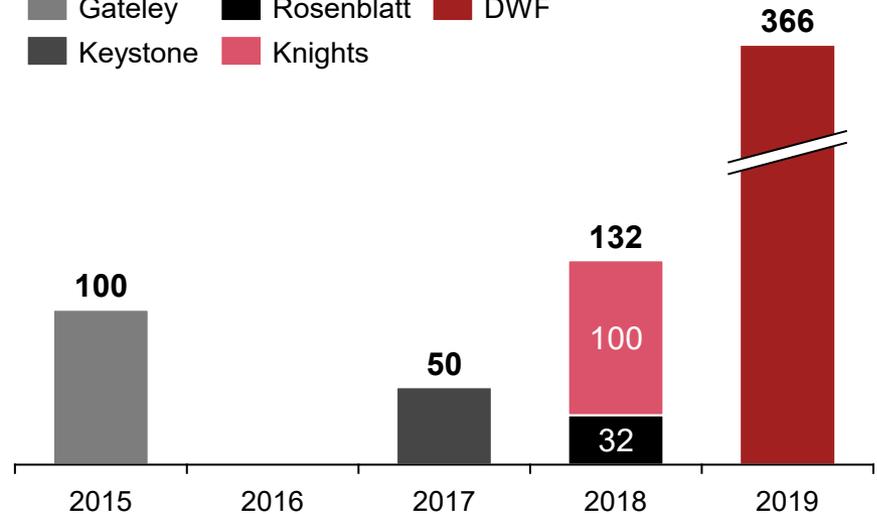
Non-exhaustive examples

Law firm	Business focus	Investor	Date
	Business & consumer law		Aug 2021
	Business & consumer law		Mar 2021
	Consumer law		May 2020
	Insurance defendant		Mar 2020
	IP law	 £65m deal value	Dec 2019
	Insurance defendant	 £15m deal value	Apr 2019
	Family law specialist	 c.£10m deal value ¹	Feb 2017

Legal sector IPOs in the UK²

IPO proceeds, £m

Gateley
 Rosenblatt
 DWF
 Knights

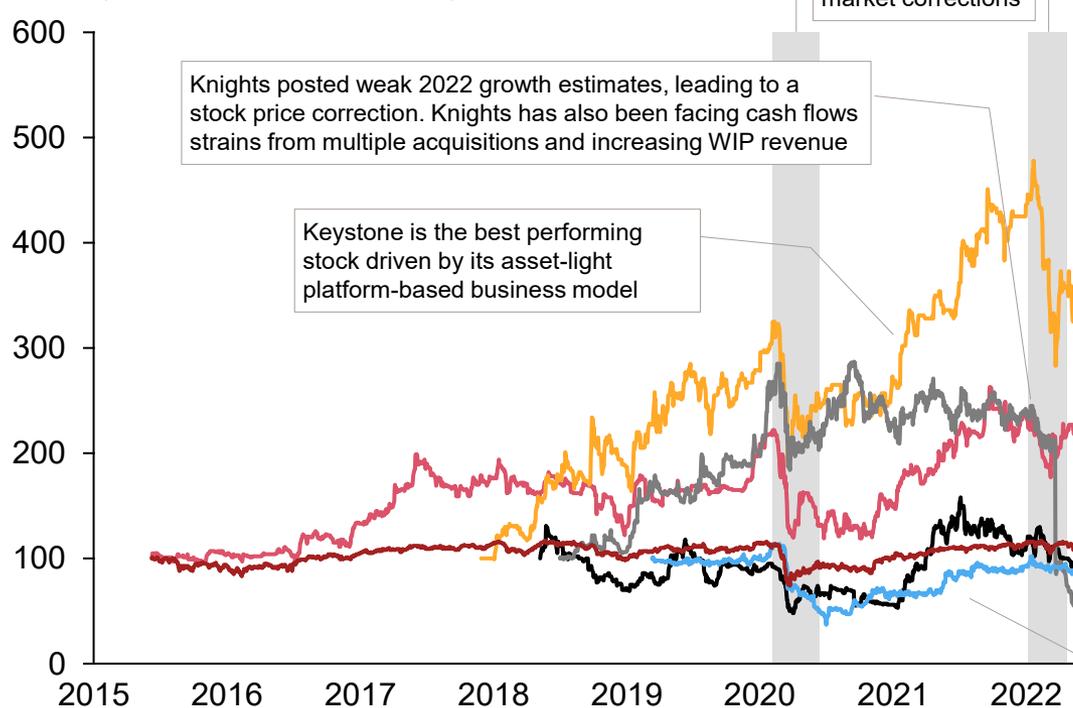


Law firm	Shares outstanding ³	Free float ³ (%)
Gateley	124.56m	112.21m (90%)
Keystone	31.27m	18.32m (59%)
Rosenblatt	95.33m	63.45m (67%)
Knights	84.51m	66.68m (79%)
DWF	325.35m	243.98m (75%)

... with some law firms that have undertaken IPOs delivering attractive returns

Share price performance of listed UK law firms¹

Index (to IPO date of each firm), 09/06/15 to 24/06/22



Knights posted weak 2022 growth estimates, leading to a stock price correction. Knights has also been facing cash flows strains from multiple acquisitions and increasing WIP revenue

Keystone is the best performing stock driven by its asset-light platform-based business model

Stock price growth rates			
	IPO date	IPO to Jan-20 (Pre-Covid-19)	IPO to Jun-22
Gateley	Jun 2015	118%	112%
Keystone	Nov 2017	204%	202%
Rosenblatt	May 2018	(5%)	(11%)
Knights	Jun 2018	156%	(44%)
DWF	Mar 2019	9%	(23%)
Average⁴	n.a.	97%	47%
FTSE All Share	n.a.	11% ³	5%

DWF has recovered since May 2020 correction following CEO replacement. It is scaling down loss-making offices and reducing lock-ups

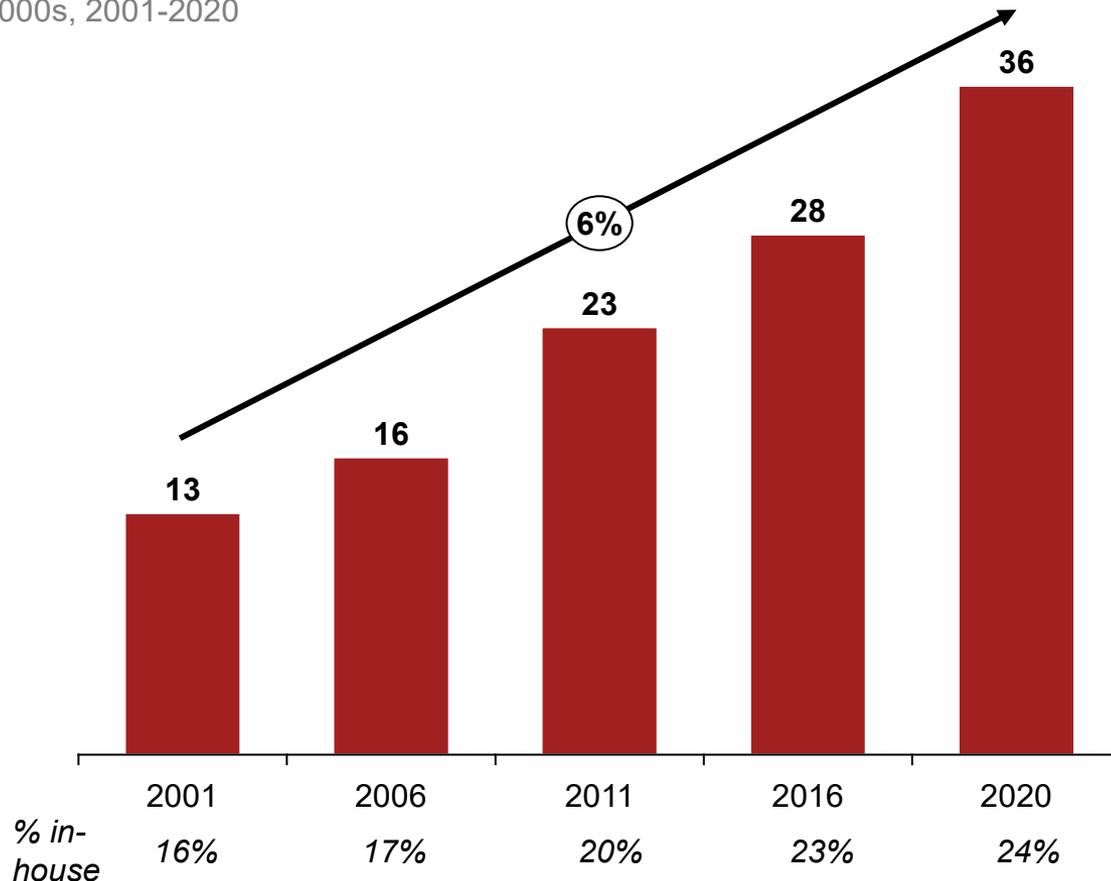
Revenue growth ²	Listed firms				
	2015	2016	2017	2018	2019
Listed firms	13.3%	16.3%	31.4%	14.4%	18.2%
Market	6.7%	5.9%	3.8%	0.0%	12.4%

Notes: 1) Ince Group not considered as it merged with Gordon Dadds in Dec 2018 as part of its listing; 2) Represents overall growth – organic and inorganic; 3) Represents growth from June 2015 (first UK law firm IPO) to Jan 2020; 4) While the average of listed law firms suggests strong performance, each firm has a experienced different share price trajectory | Source: Annual Reports, Strategy& Analysis

The proportion of lawyers which are in-house has increased 8ppt, though remains less than ¼ of all lawyers

Number of in-house lawyers¹ in the UK

'000s, 2001-2020

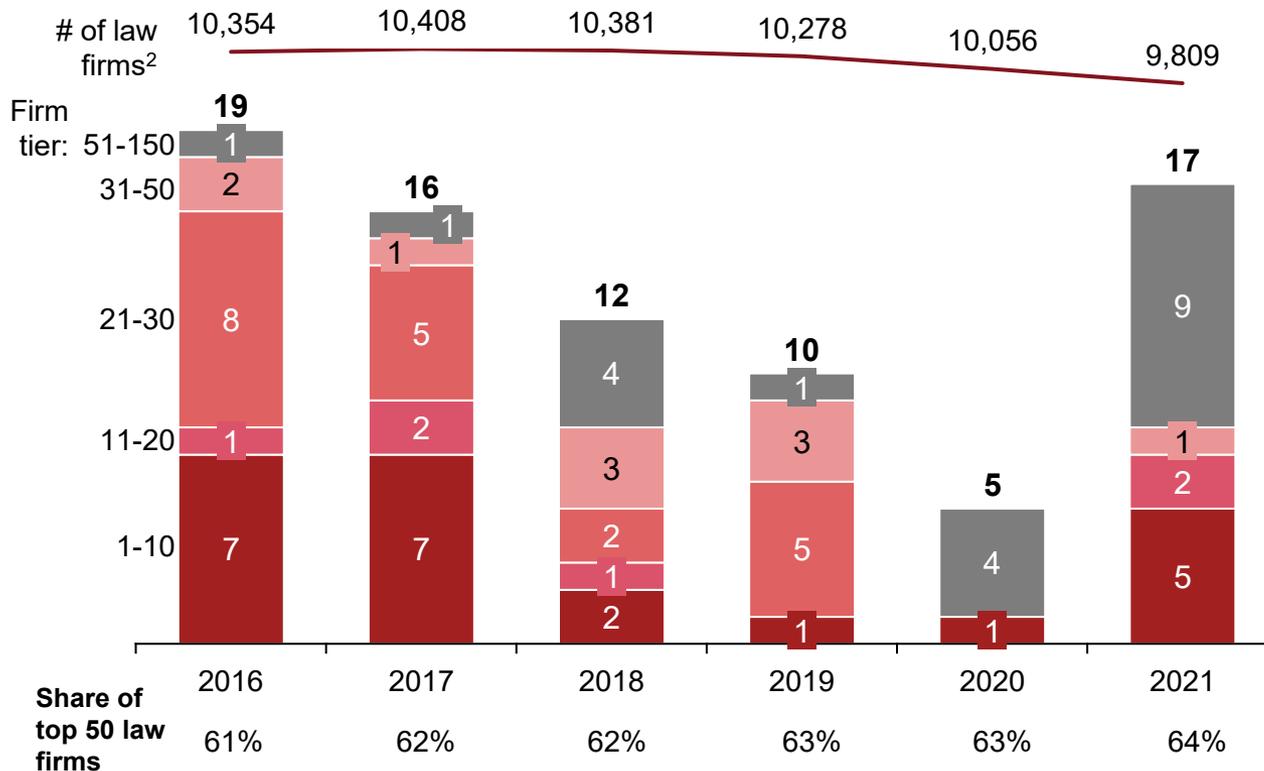


- The number of in-house legal teams has outgrown private practice lawyers, with the number of in-house solicitors trebling over the last two decades
- This has largely been driven by a focus from corporates on reducing costs through reducing work given to external advisors
- Additionally this has been supported by a supply side effect of solicitors seeking careers with improved work-life balance
- Growth of in-house legal teams is expected to increase further, though potentially at a slower rate due to growing disparity in salaries (between top law firms and in-house teams)

Market consolidation has occurred as the 'top 50' acquire to expand geographically / supplement practice areas

Total UK law firms and M&A activity (number of law firms acquired by tier of law firm¹)

of deals, 2016-2021

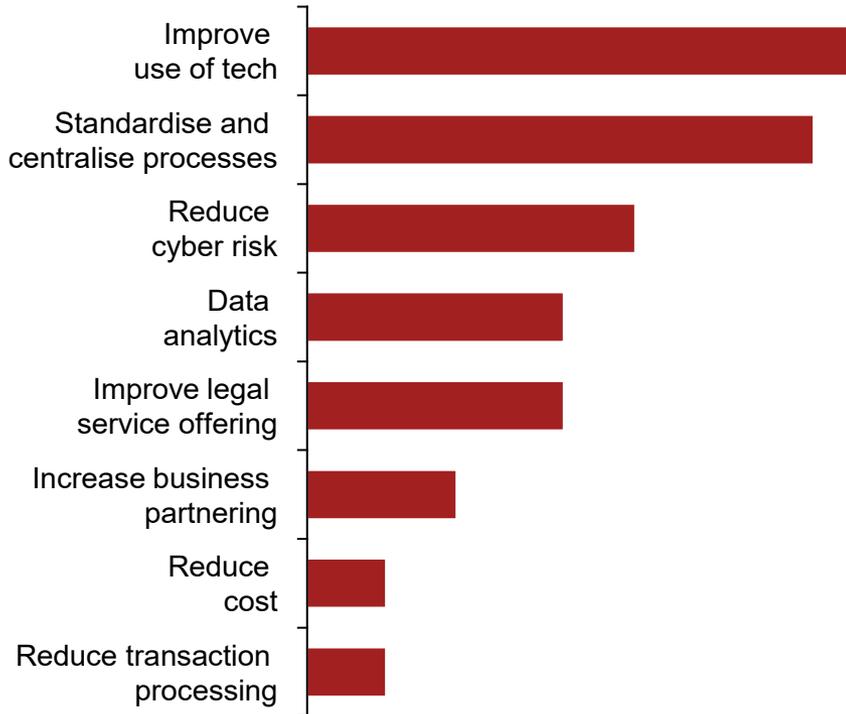


- The top 50 law firms have historically conducted more M&A than law firms ranked 51-150, (with the exception of the last 2 years))
- The decline in the total number of law firms is driven by both consolidation and closures / bankruptcies; closures are more prominent in smaller firms (e.g. sole practitioners) facing pressure on cash flow and fee income
- Also, higher compensation may be impeding partners / solicitors looking to setting up their own firm, leading to the number of firm law firm closures being higher than law firm openings

Technology investment is increasingly driving operational improvement via several innovations

Improving the use of technology ranks as the #1 priority for law firm support functions...

Key business support priorities for UK law firms 2021



...with a focus on core systems supporting lawyer efficiency, e.g. matter management and doc management

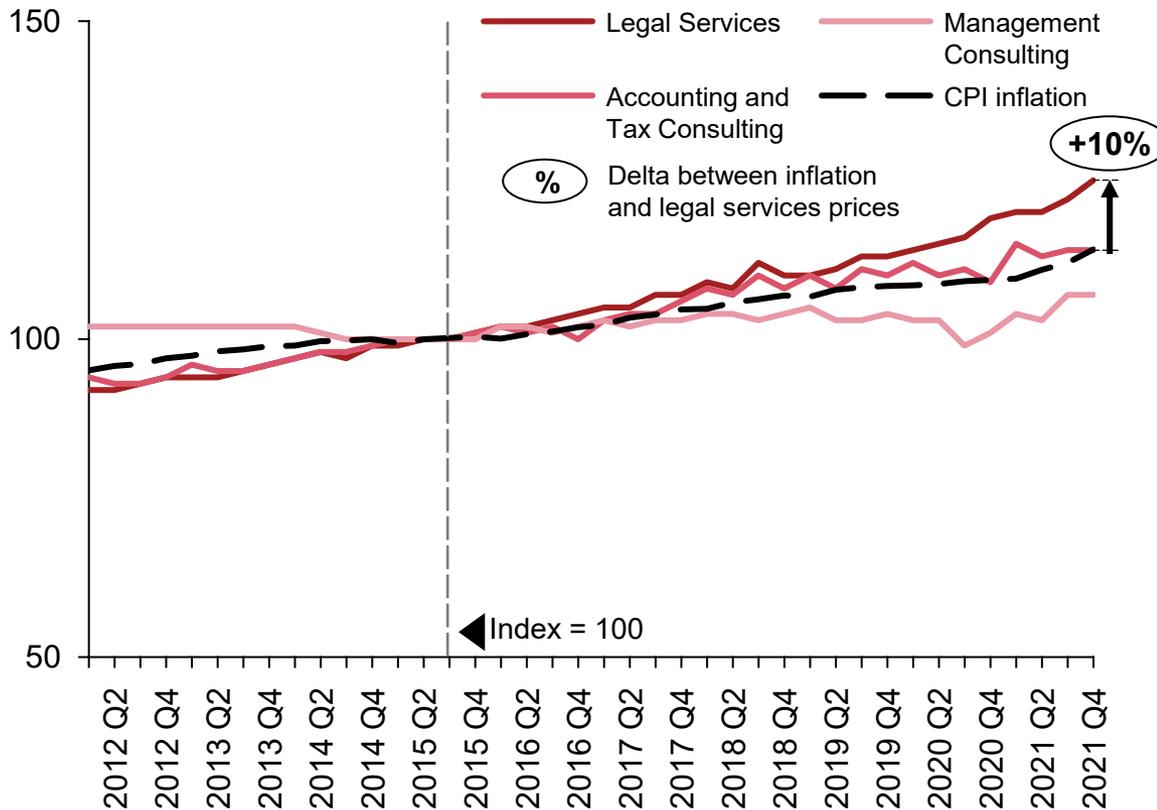
Top 3 priorities for legal tech investment by UK law firms in the next 12 months 2021



Clear value and service criticality have underpinned higher price resilience vs. other professional sectors

Pricing over time by industry¹

Index = 2015, 2012-2021

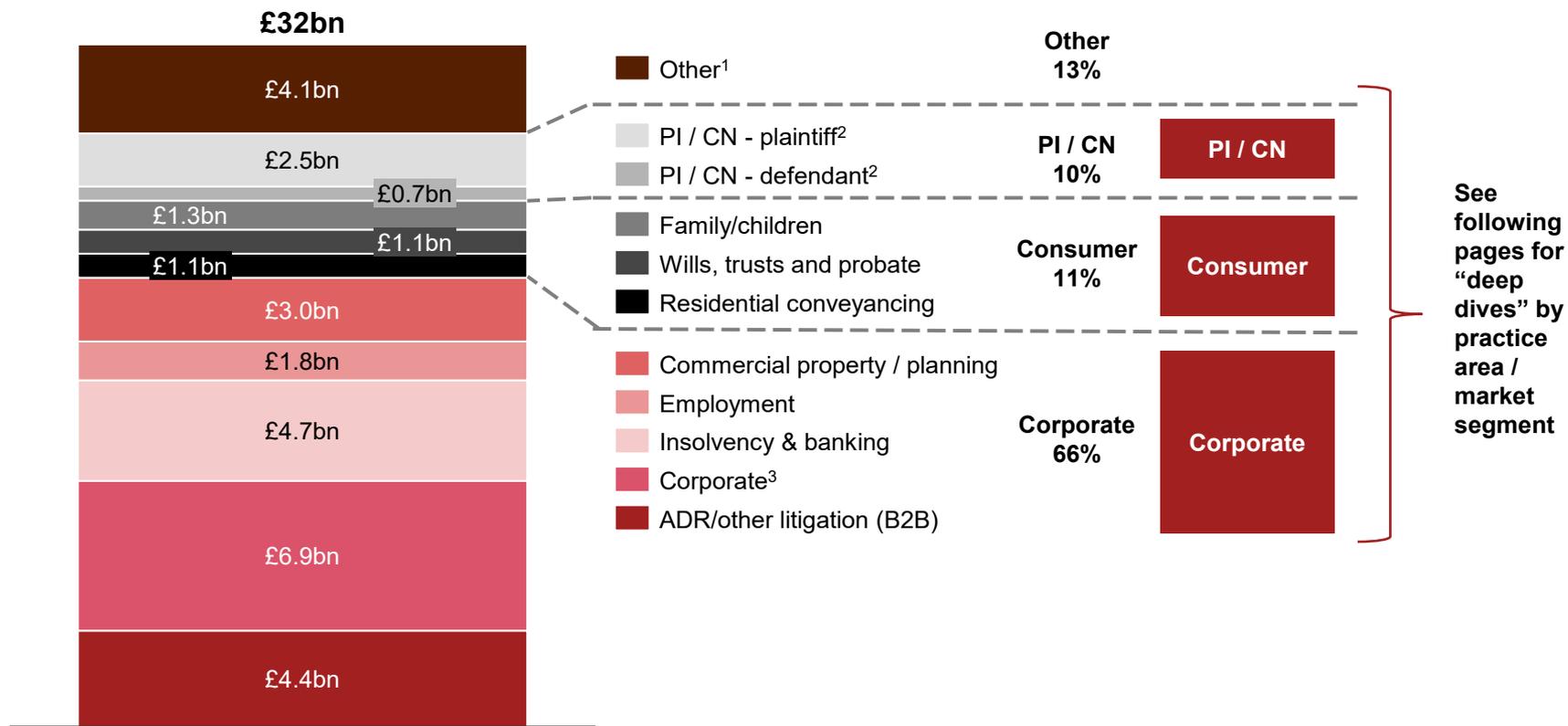


- Legal services pricing has historically outpaced inflation, indicating law firms have been successful in passing price rises through to clients
- Going forward, pressure on law firms (particularly consumer-focused firms) for price transparency is expected to increase
 - The 2020 CMA report called for display of pricing information for particular online services. It also recommended the creation of comparison websites and higher engagement with feedback and review platforms
- However, the impact of transparency rules on pricing is unlikely to be immediate or substantial

Market segment “deep dives”

UK Legal Services market size, by practice area

£bn, 2021

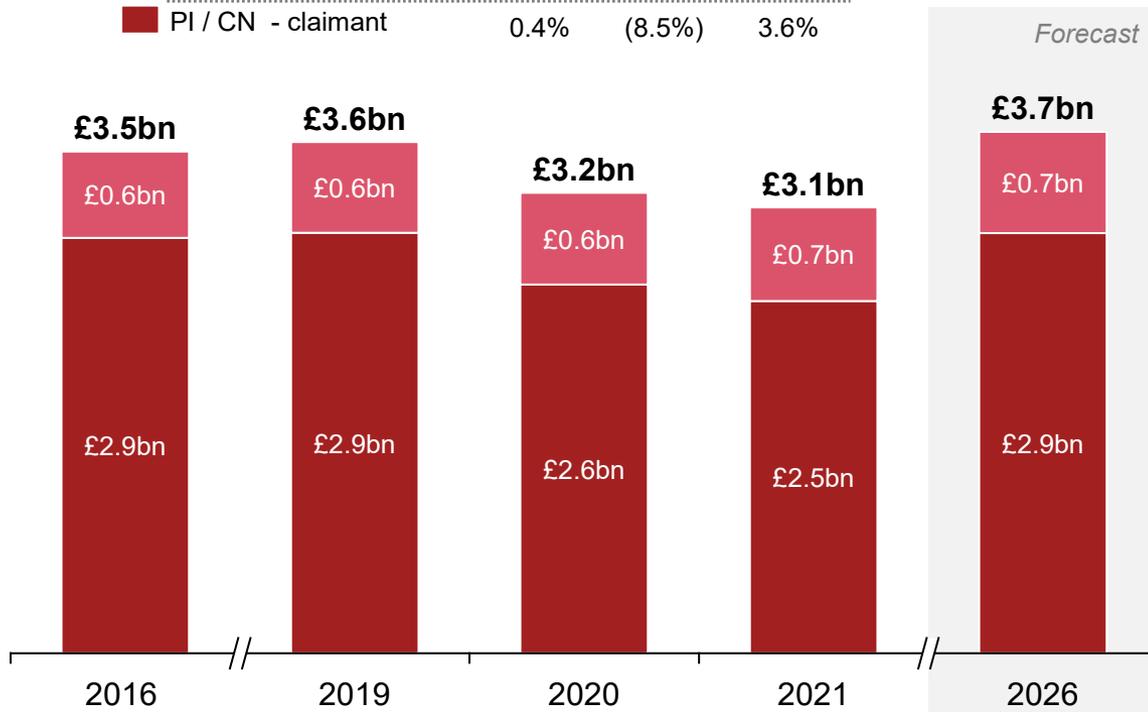


The Personal Injury market has historically been broadly flat, due to a mix effect of low-value volume decline and high-value volume growth

Personal Injury / Clinical Negligence¹ legal services market size

£bn, 2016-2026

	CAGR		
	16-19	19-21	21-26
PI / CN	0.6%	(6.8%)	3.2%
PI / CN – defendant	1.6%	1.6%	1.6%
PI / CN - claimant	0.4%	(8.5%)	3.6%



- Overall the Personal Injury market has been broadly flat 2016-19, however Covid-19 lockdowns reduced accident volumes and the resulting PI claims in 2020 and 2021
- Additionally, a series of regulatory reforms (LASPO 2012 and the CLA 2018, enacted in 2021), as well as improved general health & safety, have resulted in a decline in the lower value (i.e. “Volume”) end of the market
- However, this has largely been offset by growth in Clinical Negligence claims - as well as some legal fee inflation across PI / CN segments

The PI market comprises several segments (with different drivers). Regulation has detrimentally impacted low value RTA volumes

Key:  = Positive trend  = Neutral trend  = Negative trend

Driver	Description	Trend		
		16-19	19-21	21-26
Number of claims	Motor <ul style="list-style-type: none"> RTA claims have trended down from a 2013 peak following the introduction of LASPO, impacting law firms' ability to advertise to customers, and ongoing anticipation of the CLA taking effect, leading some Volume motor PI firms to exit the market – this has principally impacted the lower value 'Volume' claims while complex RTA claims have been less impacted RTAs have trended down in the same period due to increasing safety and Gov. lockdowns reducing road traffic A significant 2019-21 decline was driven by i) fewer cars on the road, and ii) the CLA impacting Volume motor claims from May 2021. The CLA will continue to impact Volume motor claims into 2022 and beyond, while complex motor claims are likely to recover with a rebound in road traffic, before continuing a safety-driven long term downward trend 			
		Complex		
				 21-22 Covid-19 recovery
				
Public Liability	<ul style="list-style-type: none"> Workplace accidents have trended down historically due to a focus on workplace safety and LASPO restricting advertising. Accidents are likely to recover following a Covid-19 Gov. restriction-driven decline, before reverting to the historical trend Mesothelioma, a high claims value illness, has recently passed its peak but the decline in settlement volumes will be slow, over decades. Other illnesses have increased, such as stress-related illnesses, and infectious diseases (likely due to Covid-19 – not modelled as an EL in this report) 			
	<ul style="list-style-type: none"> Public Liability claim volume trended down historically, driven by LASPO¹ restricting advertising, and a general focus on safety reducing accident rates PL is highly correlated with the activity of the population, which dropped through Covid-19 but is likely to increase to slightly below pre-pandemic levels as Gov. restrictions ended in 2021 			 21-22 Covid-19 recovery
Clin. Neg.	<ul style="list-style-type: none"> CN settlement volumes have increased historically, in part driven by capacity constraints increasing waiting lists and failure to meet safety targets in key areas, such as obstetrics – a high value claim type due to the lifetime value of the injuries Covid-19's impact on CN settlement was mixed – a shift to private provision (directly and indirectly via the NHS as a result of capacity constraints through the pandemic) has led to growth in CN settlements outside the NHS, while fewer routine surgeries impacted the incidence of negligent events The outlook is partly driven by the impact of delayed treatments and screenings increasing the need for more serious medical intervention 			
Legal fees	Volume motor <ul style="list-style-type: none"> The CLA² was introduced in May 2021, impacting the legal services value of simple motor claims (Road Traffic Accidents or RTAs) for non-vulnerable road users 			
	Other PI <ul style="list-style-type: none"> Personal Injury fees are linked to inflation in the long-term, both from a cost element of legal fees (solicitor wage inflation) and the success fee element (CPI) 			

There has been significant regulatory change in the (Volume) PI segment, which has affected Volume RTA business

Non-exhaustive	Description	Impact on the PI/CN market
<p>1</p>  <p>LASPO regulation on success fee <i>Implemented April 2013</i></p>	<ul style="list-style-type: none"> The Legal Aid, Sentencing and Punishment of Offenders Act (LASPO) replaced success fees recovered from negligent third parties with damages based agreements (DBAs) that allow a solicitor to claim up to 25% of their claimant's compensation if they are successful LASPO also introduced a ban on referral fees for PI claims 	<ul style="list-style-type: none"> Low value personal injury cases (specifically road traffic accidents) have been the most affected with overall claim volumes decreasing The decrease is driven by a lower recovery for claimant solicitors and reduction in take-up of claims that were referral led
<p>2</p>  <p>Civil Liability Act 2018 and the Whiplash Reform Programme of 2021 <i>Implemented May 2021</i></p>	<ul style="list-style-type: none"> 2021 reform focused on limiting whiplash PI claims Introduced a self-service portal for registering whiplash claims below £5,000 directly with the insurers, thereby reducing the need for legal representation Additionally, the CLA fixed tariffs for whiplash injury compensation (in tiered rates that cover up to 2 years of injury) and limited recoverable legal costs 	<ul style="list-style-type: none"> The CLA has significantly reduced the available fees and recovery for small claims As a result, firms are consolidating or investing in scale & technology to continue being profitable e.g. building solutions (e.g. Slater and Gordon has built Micase) to plug into MIB's¹ portal and work on behalf of the claimant There is ongoing debate around the treatment of mixed tariff / hybrid injury claims (injuries reported in addition to whiplash, which are not covered by the new self-service portal)

We estimate c.55% of the PI market is complex claimant PI work, involving damages worth >£25k and often requiring multiple years to settle

PI claims legal fees value by claim type and complexity

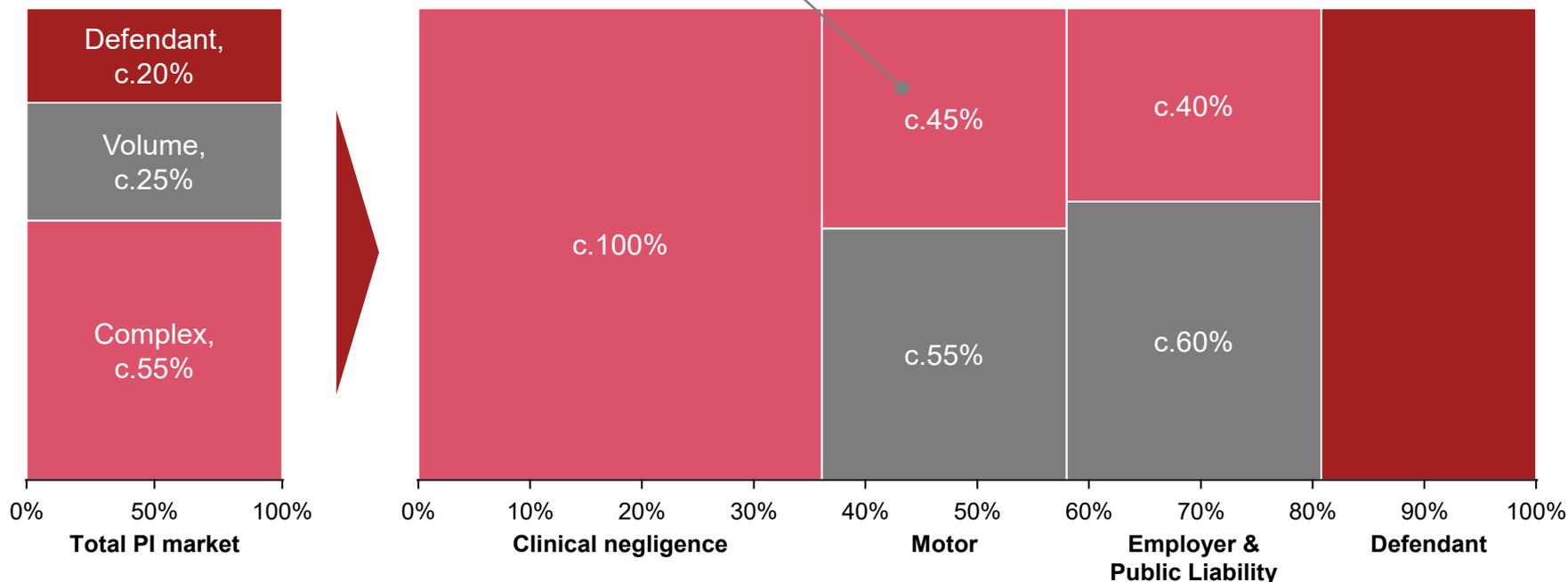
% of total PI legal services market¹, 2021

■ Total ■ Complex ■ Volume

Indicative

The CLA enactment from May 2021 is likely to reduce revenue from high Volume motor claims

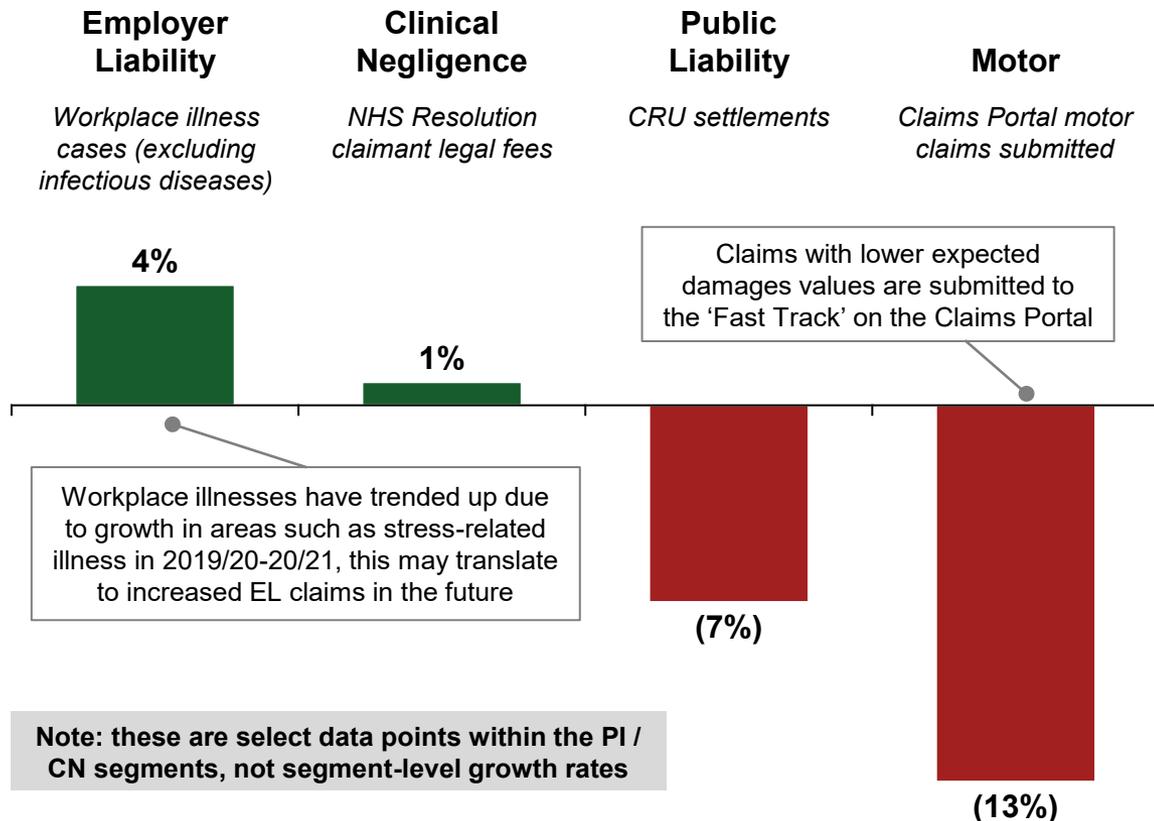
Estimate and subject to revision



The PI market has seen divergence between “Volume” work (which has declined) and “Complex” work

Growth of key Personal Injury drivers

FY16-21 (Apr-Mar) CAGR %



Low value claim volume



- A downward trend in total settlement volumes has been driven in part by **progressive regulatory changes**, such as LASPO and the CLA impacting the profitability of lower value claims (e.g. by preventing advertising and introducing damages tariffs), as well as general safety improvements

High value claim volume



- High value claim types have been **more resilient to volume declines** from regulatory change
- The **volumes of some high value claim types (e.g. Clinical Negligence)** have grown

Legal fees (for complex PI)

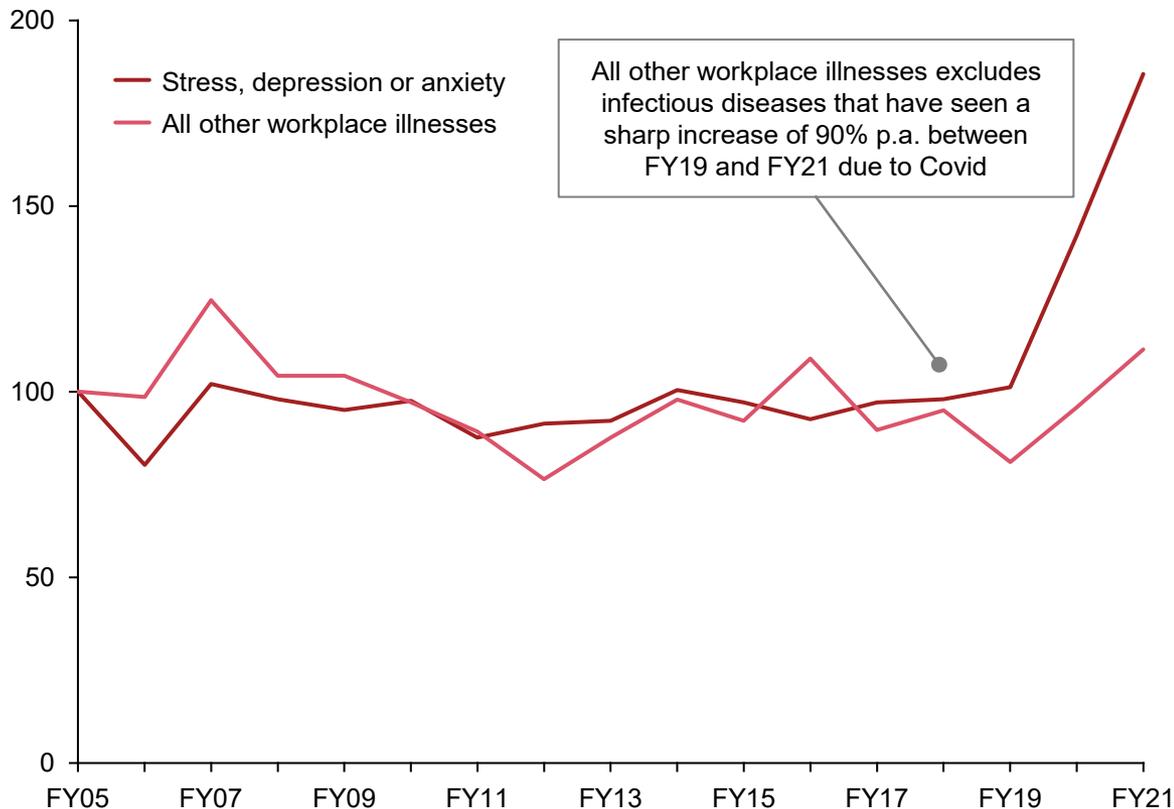


- Legal fees have increased** – driven by CPI and wage inflation

Stress-associated illnesses in the workplace have seen a sharp increase since 2019

Self-reported illness caused or made worse by work (incidence rate)

Indexed (FY05=100), FY05-21¹



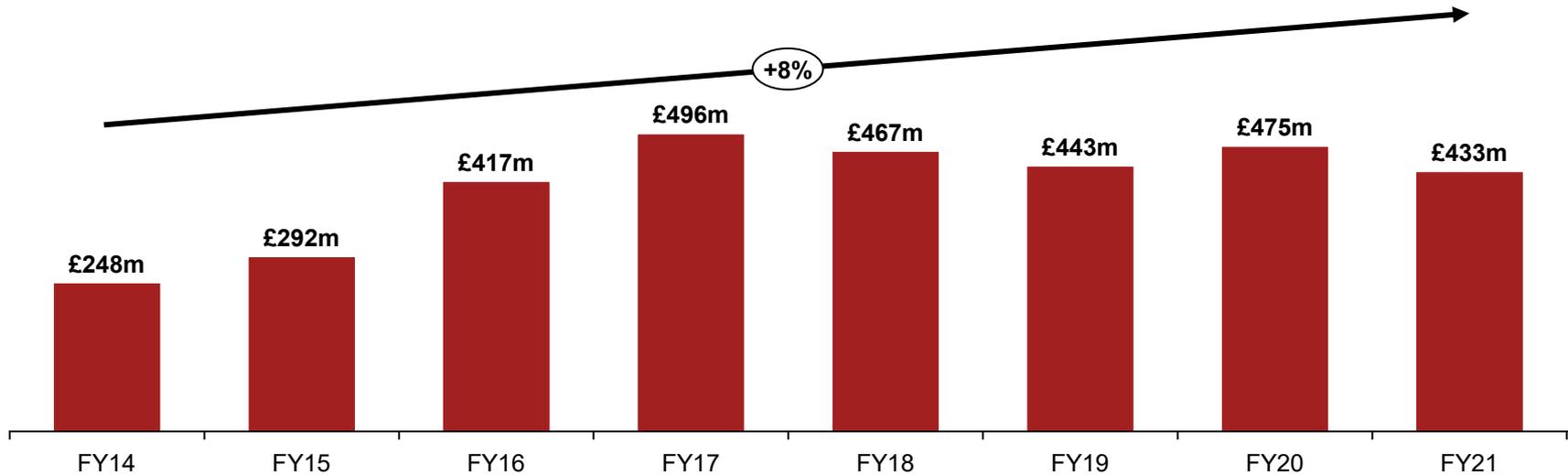
- The decline in workplace injuries and certain illnesses within the workplace (e.g. mesothelioma) is expected to be somewhat counterbalanced by other workplace illnesses such as stress, depression and anxiety, which have grown significantly since FY19
- In FY21, c.50% of all workplace illnesses were linked to stress, depression or anxiety

CN claimant legal fees paid by the NHS increased at 8% p.a. between FY14-21

NHS Resolution claimant legal fees and settlements

£m / thousand settlements, FY14-21 (Apr-Mar)

■ Claimant legal fees (£m)



Avg. claimant legal fees / settlement (£k)

50.0	53.5	59.1	60.5	64.2	63.6	57.6	60.5
------	------	------	------	------	------	------	------

Proportion of GB Clinical Negligence total costs borne by the NHS (%)

n.a.	n.a.	n.a.	74	72	74	70	68
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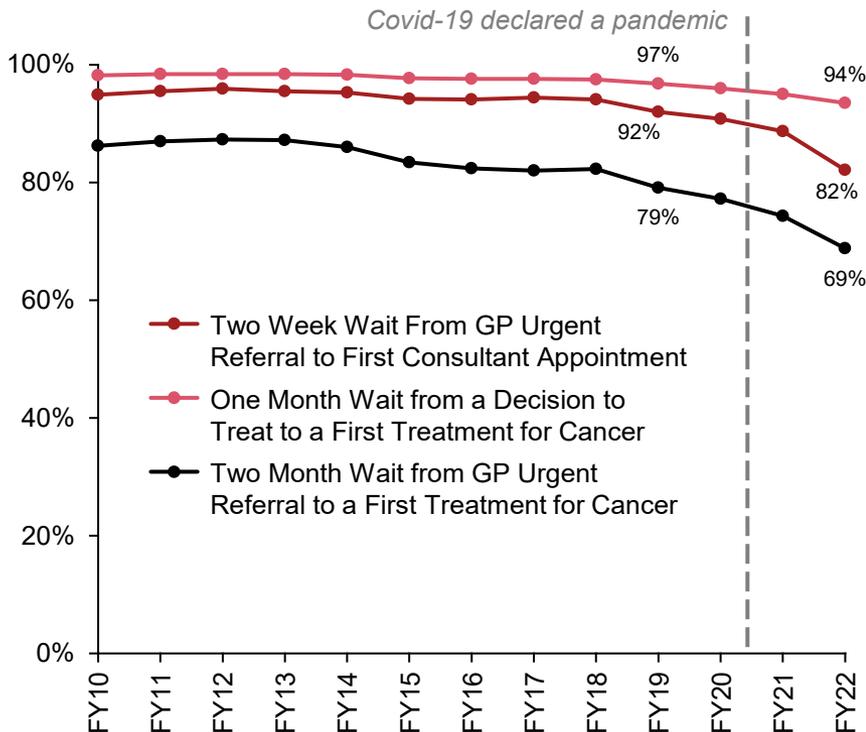
Reduced cancer screening through Covid-19, may lead to future CN claims for avoidable late stage cancer

The proportion of patient referrals / cases meeting cancer targets prior to the pandemic was declining; this trend accelerated through Covid-19...

...which is likely to lead to an increase in Clinical Negligence claims as these cancers are subsequently diagnosed / treated at a later stage

NHS cancer referral / treatment performance

% of patient referrals / cases meeting targets, FY10-22 (Apr-Mar)



“Cancer misdiagnosis seems to be going up which are driving clinical negligence volumes but these are hard cases to run, depending on the route of things going in”

- Former Managing Director, Claims management company

“There has been a delay in the diagnosis of cancer cases, we’re seeing lots of these appearing and lots more coming out of Covid-19”

- CEO, Top 100 law firm

The Consumer legal services market grew at c.5% p.a. from 2016-21, driven by volume and fee increases

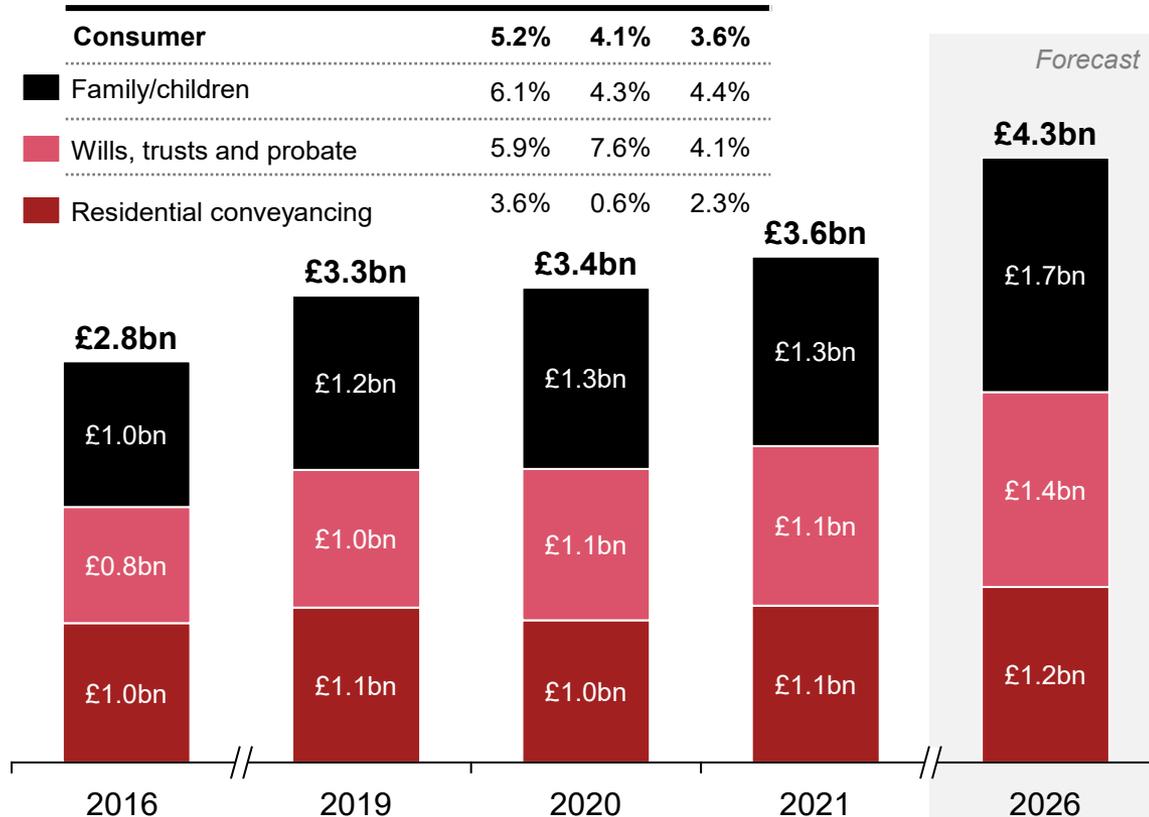
Consumer legal fees market size

£bn, 2016-2026

Pre-Covid-19

CAGR

16-19 19-21 21-26



- The Consumer Legal Services market has seen positive growth from 2016-2021 and is forecast to continue growing strongly (c.4% p.a.) through 2026
- Volumes of work across the three major segments of the consumer law market have seen steady increases of c.1-2% p.a.
- However, most of the increase in legal revenues of these sectors was driven by above inflation increases in average fees (c.2-3% p.a. above inflation)

Growth in consumer law spend depends on several key market drivers...

Practice area	Key driver	Description	Historical trend	Trend outlook
Residential conveyancing	Property transactions	<ul style="list-style-type: none"> Transactions have remained stable, despite Brexit and affordability challenges, with Government intervention driving some recent growth 		
Private client: wills, trust and probate	Aging population	<ul style="list-style-type: none"> The UK is experiencing a long term increase in average age, with the 65+ year olds category growing the fastest, followed by 50-64 		
	Death rate	<ul style="list-style-type: none"> Driven by a growing and aging population, the number of deaths has also risen slightly in the last 20 years (inc. impact of Covid-19) 		
	UK wealth	<ul style="list-style-type: none"> Total UK wealth, including property wealth, has exceeded GDP growth in the last decade, driving private client legal work, though is likely to recede as economic growth slows 		
Family / children	Marriage and divorce rates	<ul style="list-style-type: none"> The number of marriages and divorces has declined historically While no-fault divorces are expected to increase divorces, these cases would likely have lower legal fees 		
Criminal	Crime rate	<ul style="list-style-type: none"> Though victim crimes are lower than 2003 levels, there has been a steady increase in these types of crimes since 2014 Sophisticated cyber crimes and financial fraud have accelerated strongly in the UK, driving the complexity of legal solutions required 		

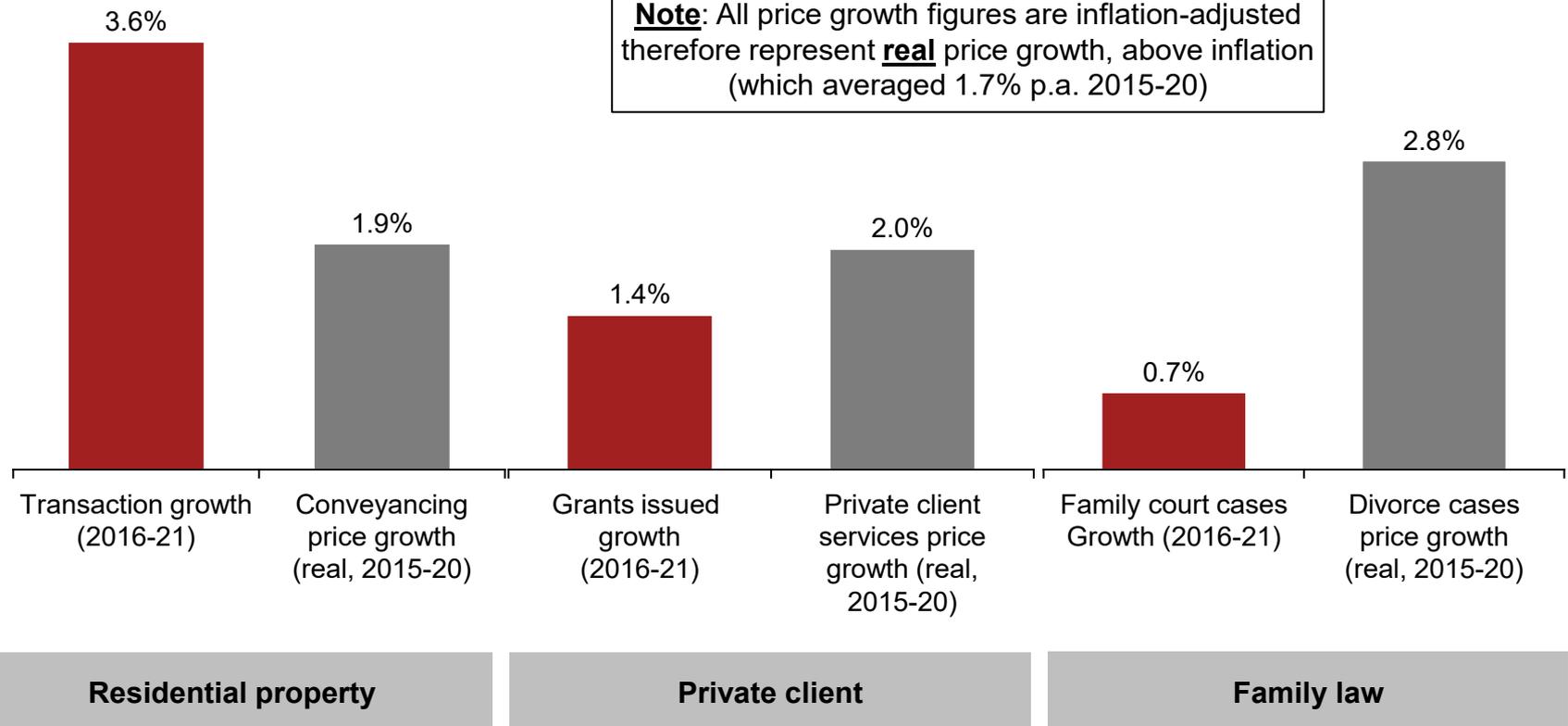
Key: = Positive trend = Neutral trend = Negative trend

... and has benefited from volume and value tailwinds

CPI, volume and value¹ drivers

%, 2015-2020 and 2016-2021, Non-exhaustive

Note: All price growth figures are inflation-adjusted therefore represent **real** price growth, above inflation (which averaged 1.7% p.a. 2015-20)

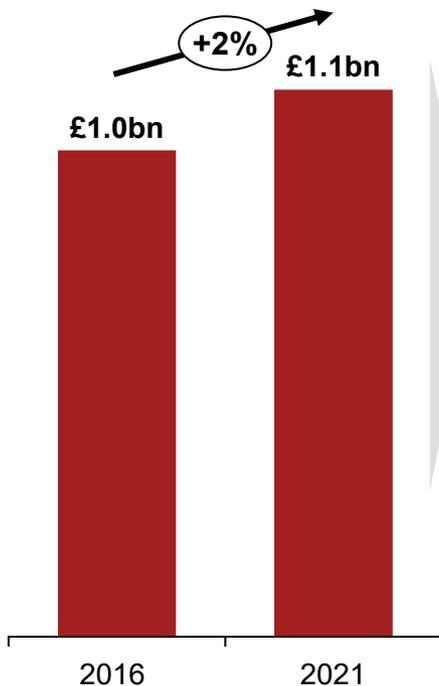


Residential conveyancing has seen historical growth of 2% p.a. (2016-21), supported by growth in housing transactions

Conveyancing experienced limited growth in 2016-21

UK residential conveyancing market size

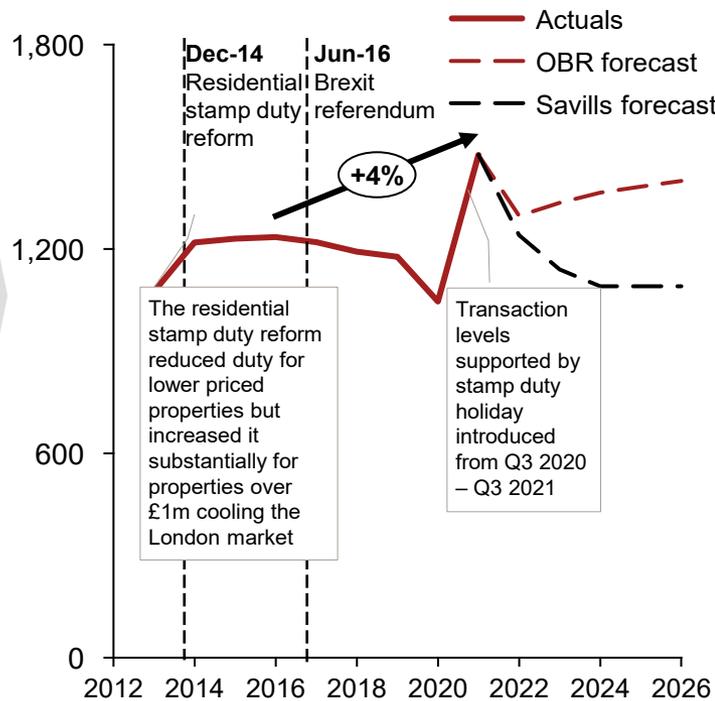
£bn, 2016-2021



Post-Brexit transactions stabilized at lower levels. Gov. support helped regain momentum

UK residential property transactions¹

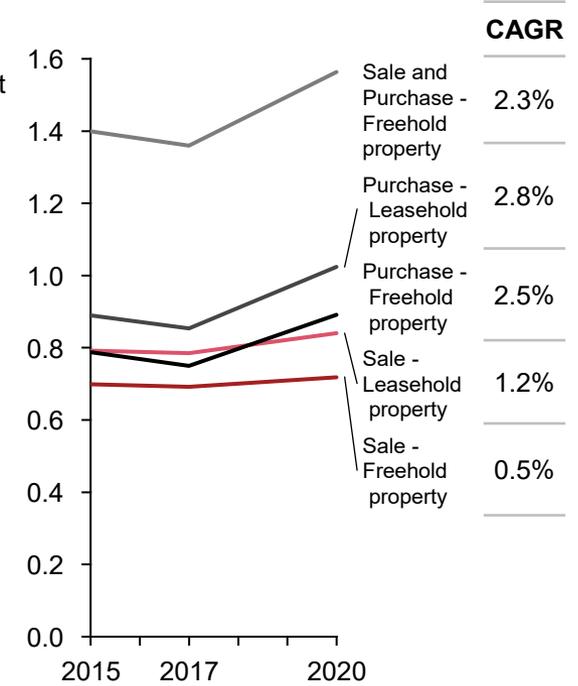
'000s, 2013-2026



Price increase have compensated for stagnating transaction volume

Average inflation-adjusted price of conveyancing services in E&W²

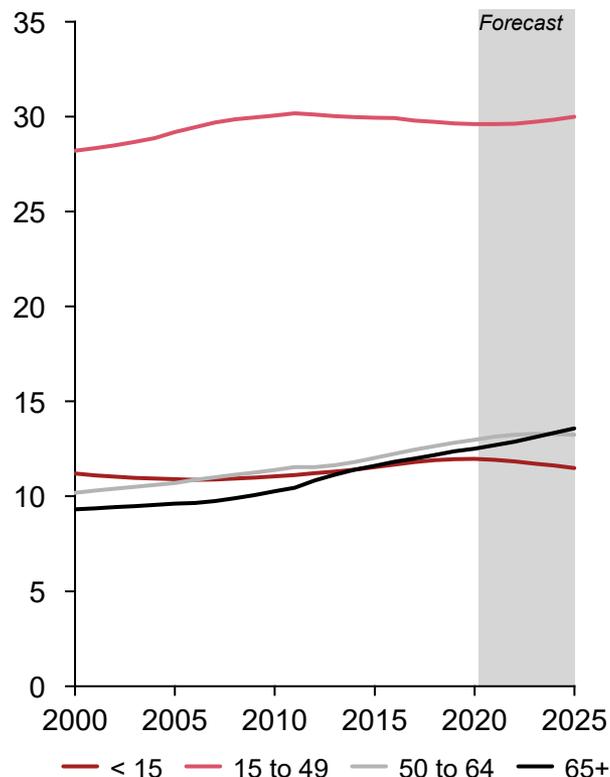
£000s, 2015-2020



The UK is experiencing long term increases in average age and deaths, which are driving Wills & Probate activity

UK population, by age group

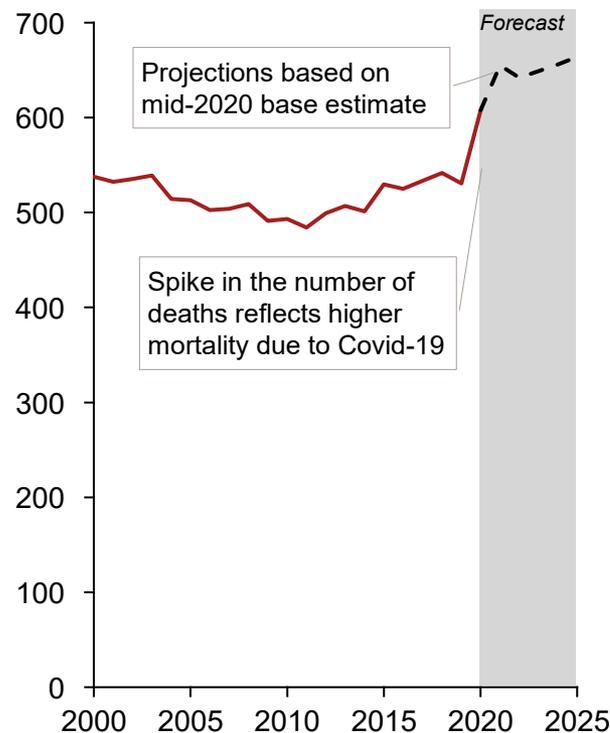
m, 2000-2025F



CAGR 2000-20 0.3% 0.2% 1.2% 1.5%

Total number of deaths in E&W¹

'000s, 2000-2025F



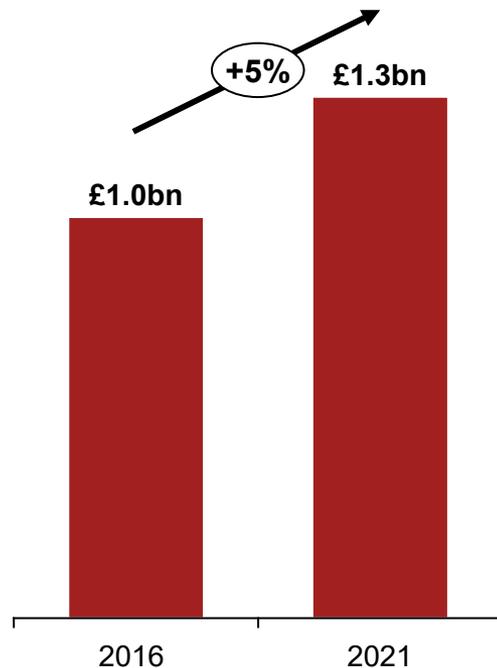
CAGR 2000-20 0.6%

- The underlying demographic factors supporting wills and probate activity are the average population age and death rate, both of which have risen in the last decade (including prior to Covid-19)
- The proportion of population aged above 50 years increased from c.33% in 2000 to c.38% in 2020 – a trend that is expected to continue
- A growing and aging population is expected to contribute to more deaths
- Additionally, the majority of UK adults (c.60%) do not have a will in place and the pandemic has increased interest in wills, trusts and probate work (and is expected to continue boosting demand)

The family law market grew by 5% p.a. from 2016-21, likely largely price led (court case volumes grew at +1% p.a.)

UK family law market size

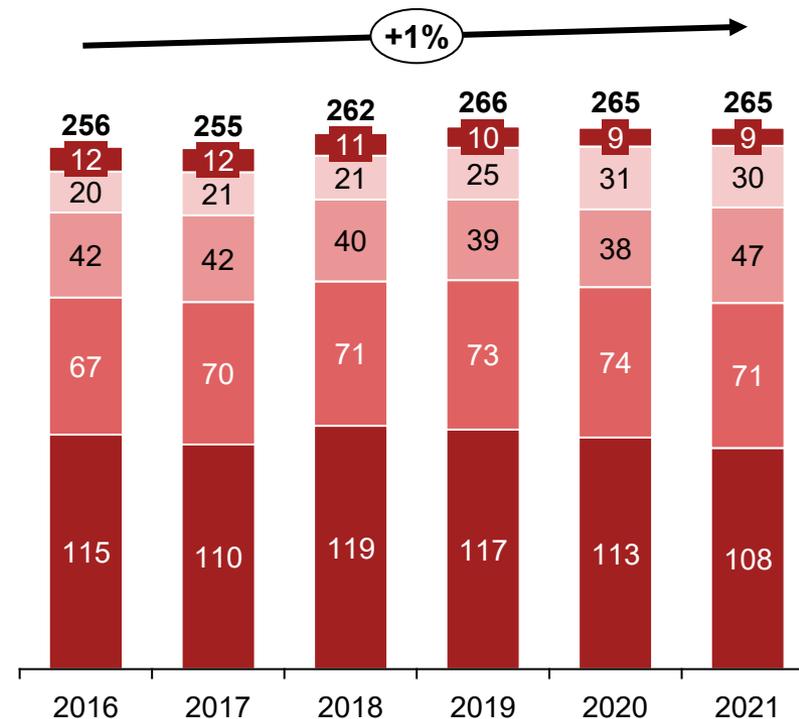
£bn, 2016-2021



Family court cases by type in England and Wales

'000s, 2016-2021

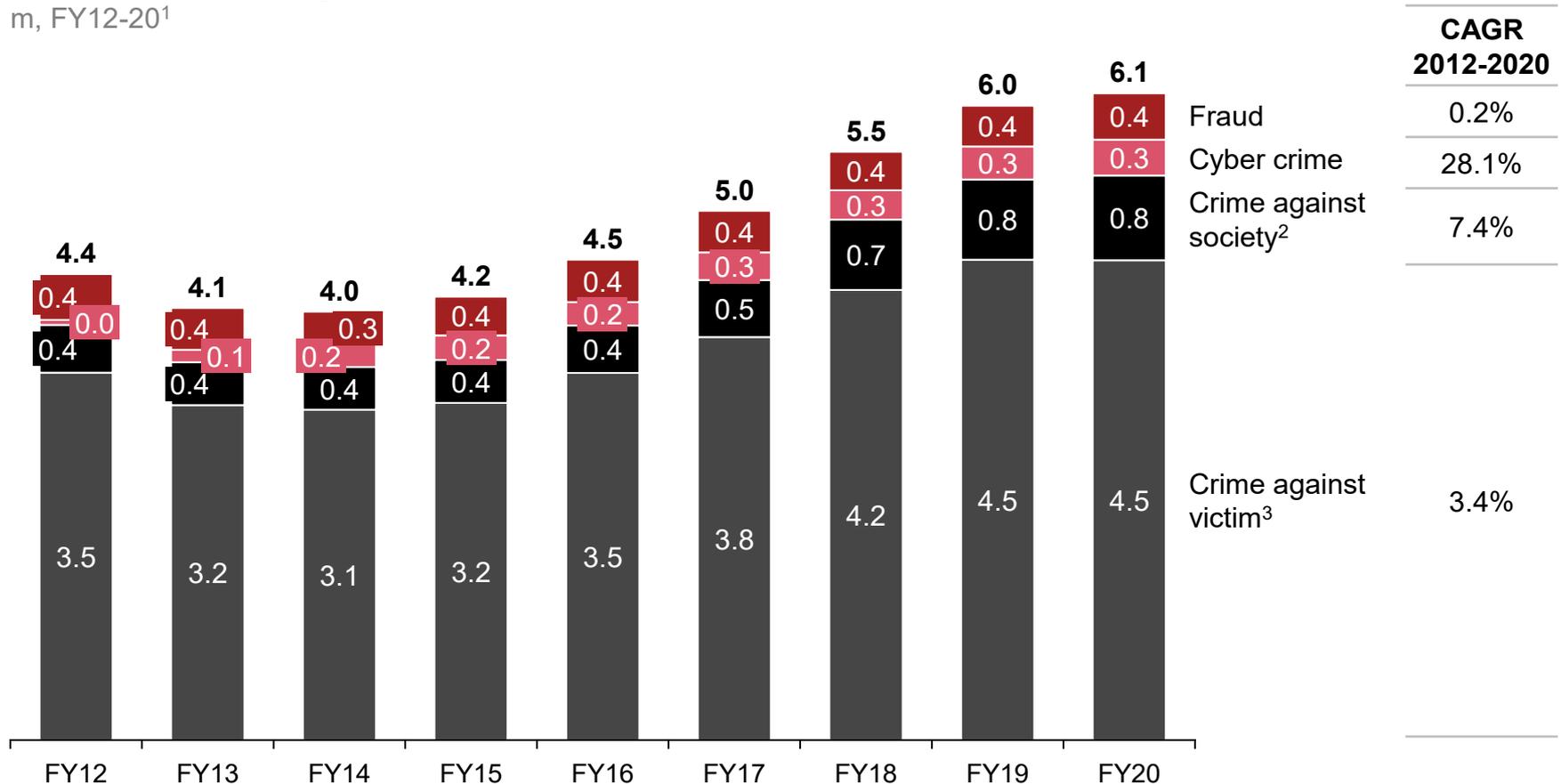
■ Matrimonial matters ■ Financial remedies ■ Adoption
■ Children Act¹ ■ Domestic violence



The prevalence of sophisticated crimes (e.g. cyber crime) has increased, which could increase the complexity of legal solutions required in criminal law

Crimes recorded in England and Wales

m, FY12-20¹



Corporate legal services spend increased at c.7% p.a. from 2016-21, to reach c.£21bn

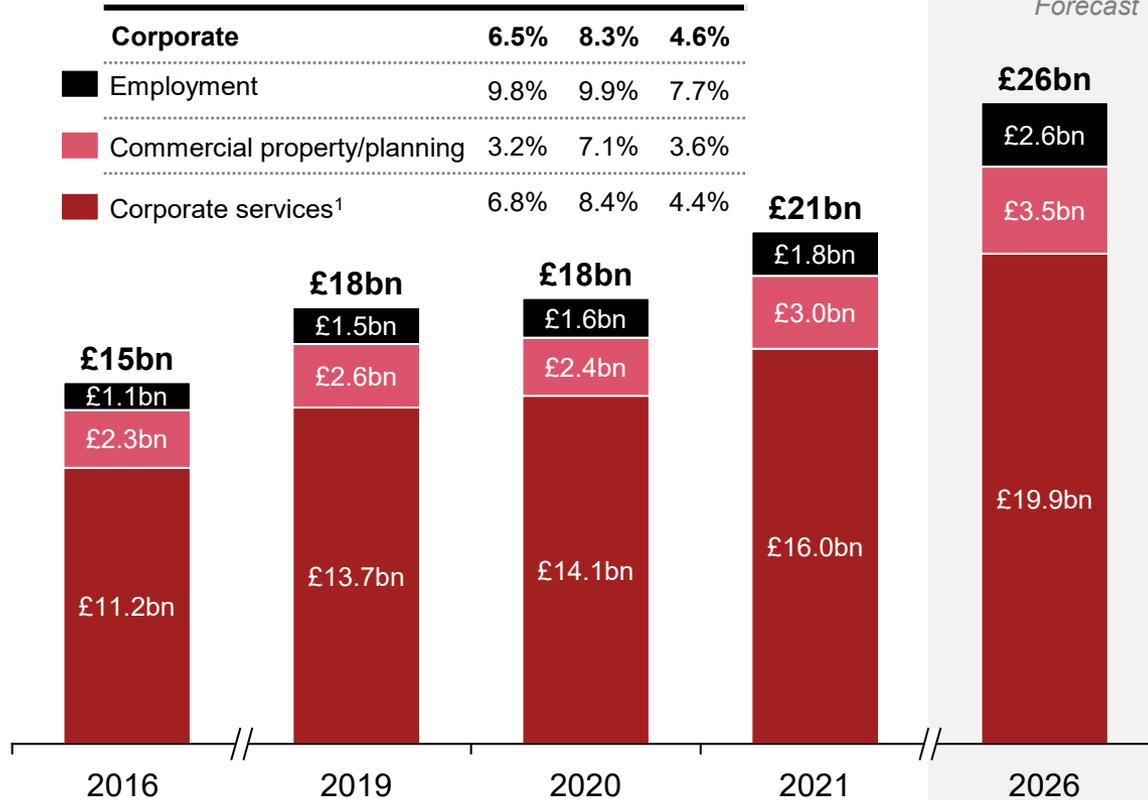
Corporate legal fees market size

£bn, 2016-2026

Pre-Covid-19

CAGR

16-19 19-21 21-26



- Overall, the Corporate Legal Services market has seen strong growth supported by buoyant market conditions since the end of pandemic lockdowns
- Corporate services have been underpinned by positive economic growth – whilst Covid-19 drove an initial slow-down, the market has seen a strong recovery led by M&A and Banking work
- Commercial Real Estate was impacted in the first year of the pandemic, but has since recovered
- Employment law is seeing strong growth driven by increasing disputes (discrimination and unfair dismissal in particular)

Growth in the corporate legal services market has been supported by banking activity, as well as employment law

Practice area	Description	Historical trend	Trend outlook
Banking and Insolvency	<ul style="list-style-type: none"> The market suffered a slowdown induced by the pandemic, but 2021 saw an increased availability of capital, which has driven a wave of private equity deals and stock market listings, fuelling corporate legal work While stock market activity has reduced in 2022, it is possible that insolvency work could increase in the event of economic slowdown 		
Litigation	<ul style="list-style-type: none"> The number of commercial disputes has broadly remained flat in the last two decades, though companies expect the number of disputes to increase going forward, underpinned by the direct or indirect impact of Covid-19 and geo-political conflict 		
Employment	<ul style="list-style-type: none"> Employment law services and litigation has seen significant growth driven by an increase in the volume of discriminatory cases and unfair dismissals 		
Commercial property	<ul style="list-style-type: none"> The commercial property market has remained broadly stable from 2016-2019, with the capital value of CRE seeing 1% growth, with a shift in property segments The market experienced a sharp decline at the outset of Covid-19, though has seen a strong recovery. Market outlook is modestly positive, with growth expected to continue 		

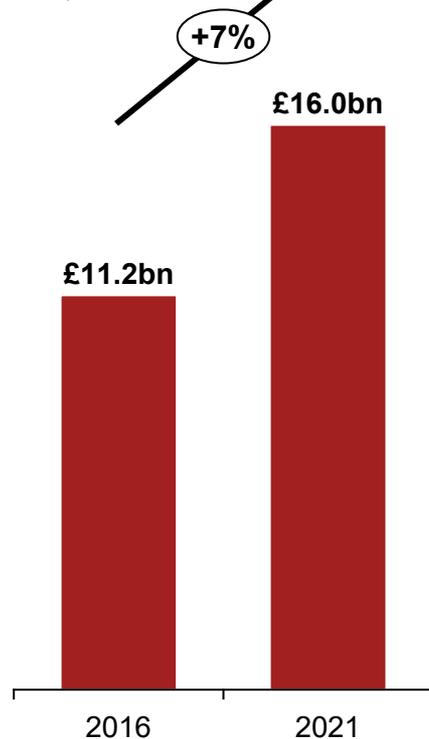
Key:  = Positive trend  = Neutral trend  = Negative trend

Private equity and IPO activity increased significantly in 2021, driving growth in corporate legal activity

Corporate law grew strongly in the last 5 years

UK corporate law market size

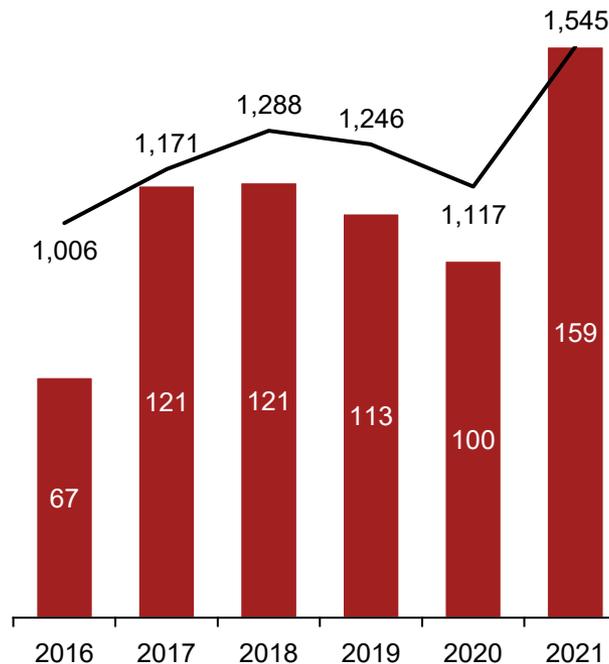
£bn, 2016-2021



Growth was supported by a buoyant private equity deal market...

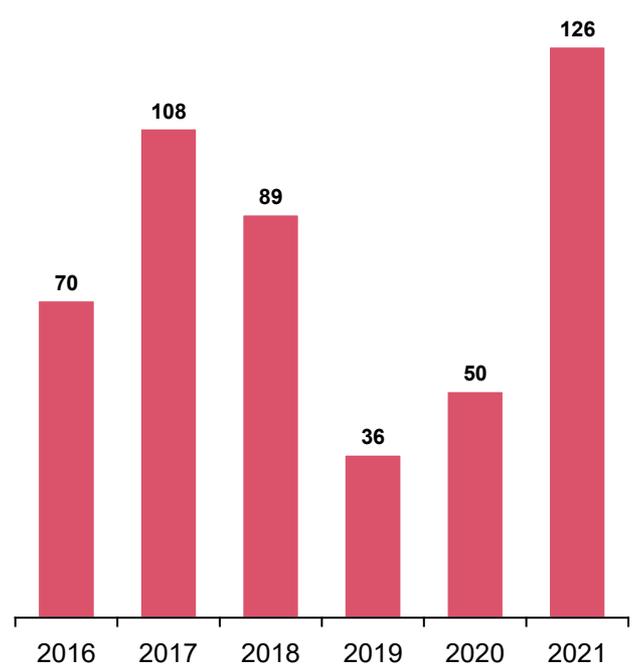
UK private equity deal volume and value, by quarter; £bn, #, 2016-2021

■ Deal value (£bn) — Number of deals (#)



...as well as an attractive stock market for listings after the pandemic

Number of IPOs on the London Stock Exchange (LSE); #, 2016-2021

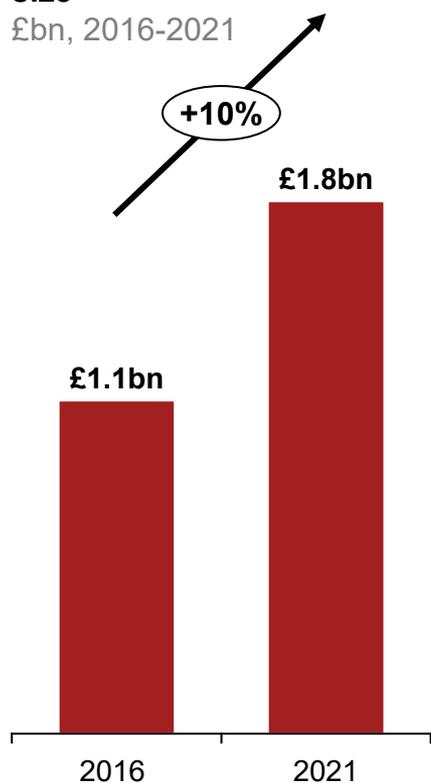


Employment law spend grew at 10% p.a. from 2016-21, partially supported by significant growth in tribunals

Employment was one of the fastest growing segments

UK employment law market size

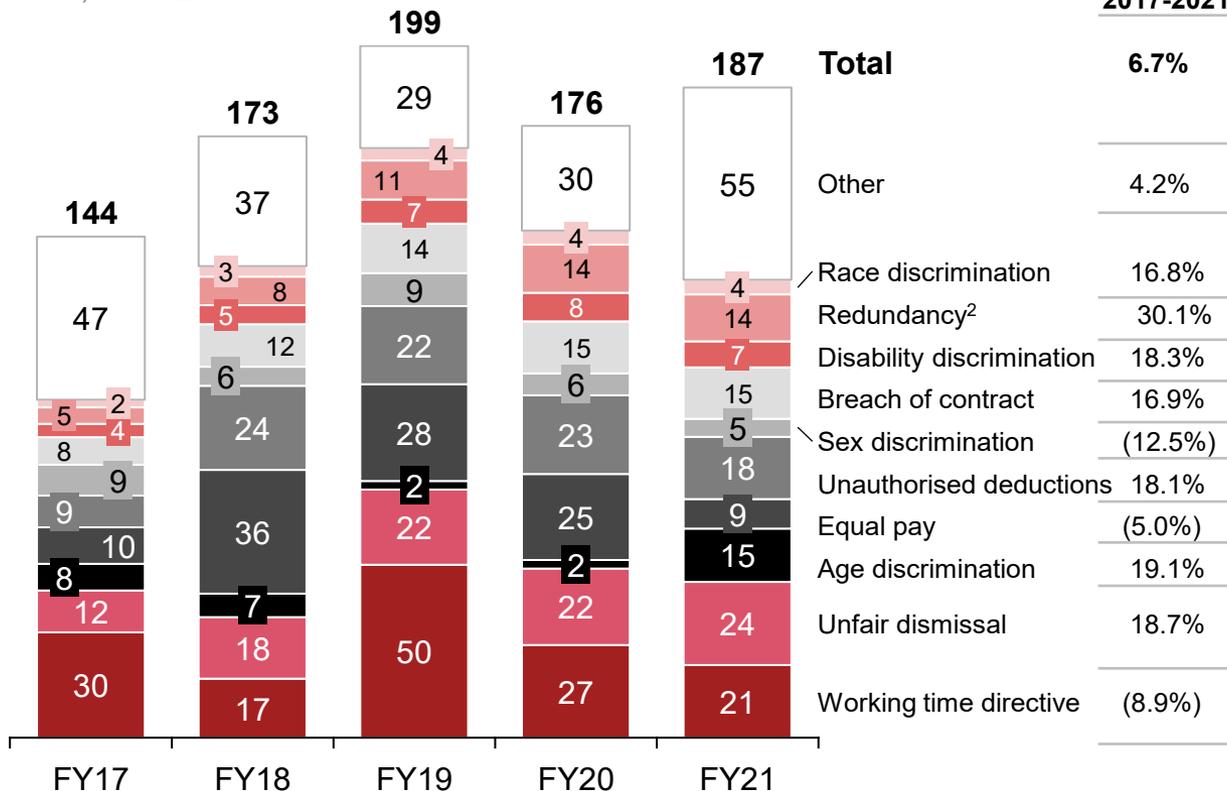
£bn, 2016-2021



High growth was driven by a strong uptick in employment tribunal receipts, particularly across discriminatory issues and unfair dismissals

Total number of employment tribunals receipts, by jurisdiction

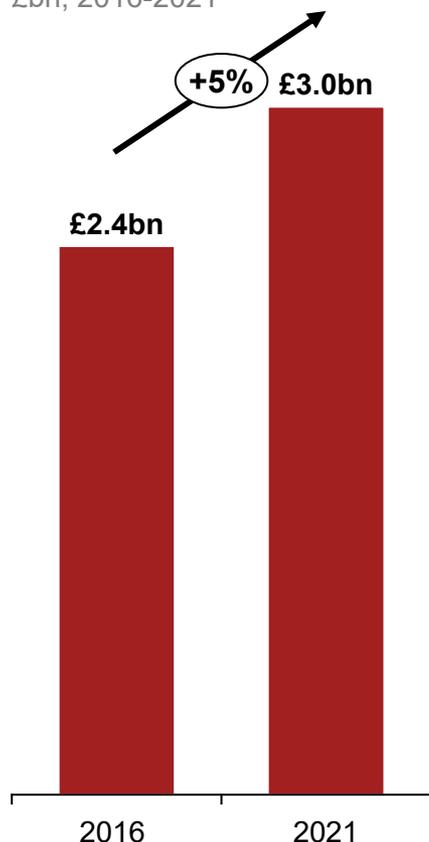
'000s, FY17-21'



The UK's c.£900bn of commercial real estate is serviced by a legal market of c.£3bn p.a. (with growth of 5% from 2016-21)

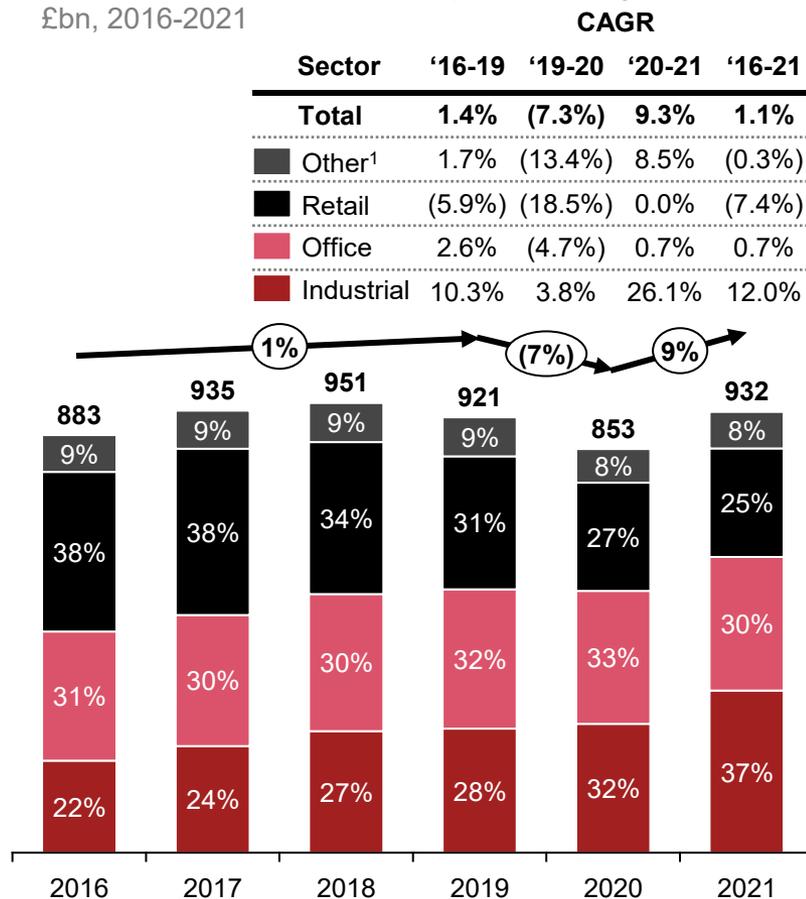
UK commercial property legal services market size

£bn, 2016-2021



UK commercial real estate capital value by sector

£bn, 2016-2021



- The capital value of UK commercial property transactions has increased 2016-2021, supported by growth in industrial (including warehousing) real estate
- The commercial property legal services market is driven by a variety of legal needs above the real estate value or transaction volume – including property disputes, rent / leasing disputes, re-financing, maintenance agreements and development – from land sourcing onwards – meaning the market tends to grow incrementally higher than real estate value / transactions

Contents

Overview of the legal services market

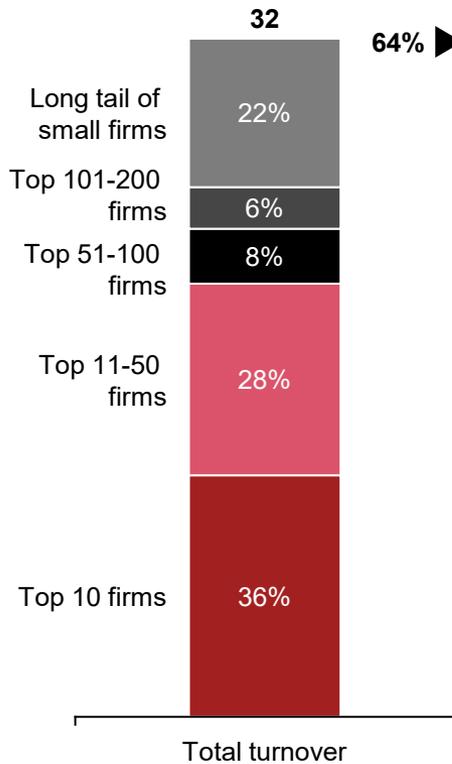
Market drivers

Competitive landscape

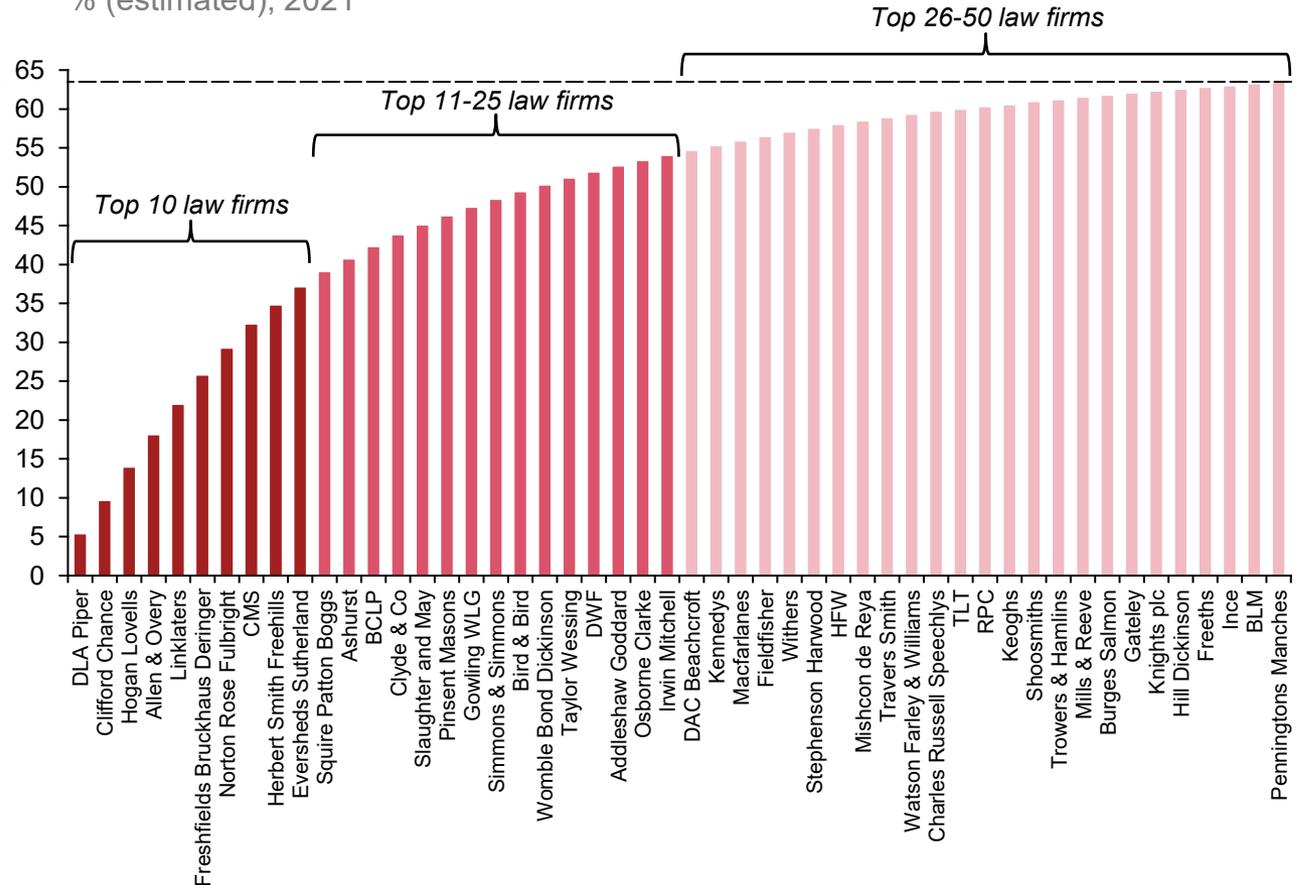
Growth adjacencies

The competitive landscape is fragmented, with a long tail (beyond the top 50) comprising >35% of the market

UK legal services market
£bn, 2021



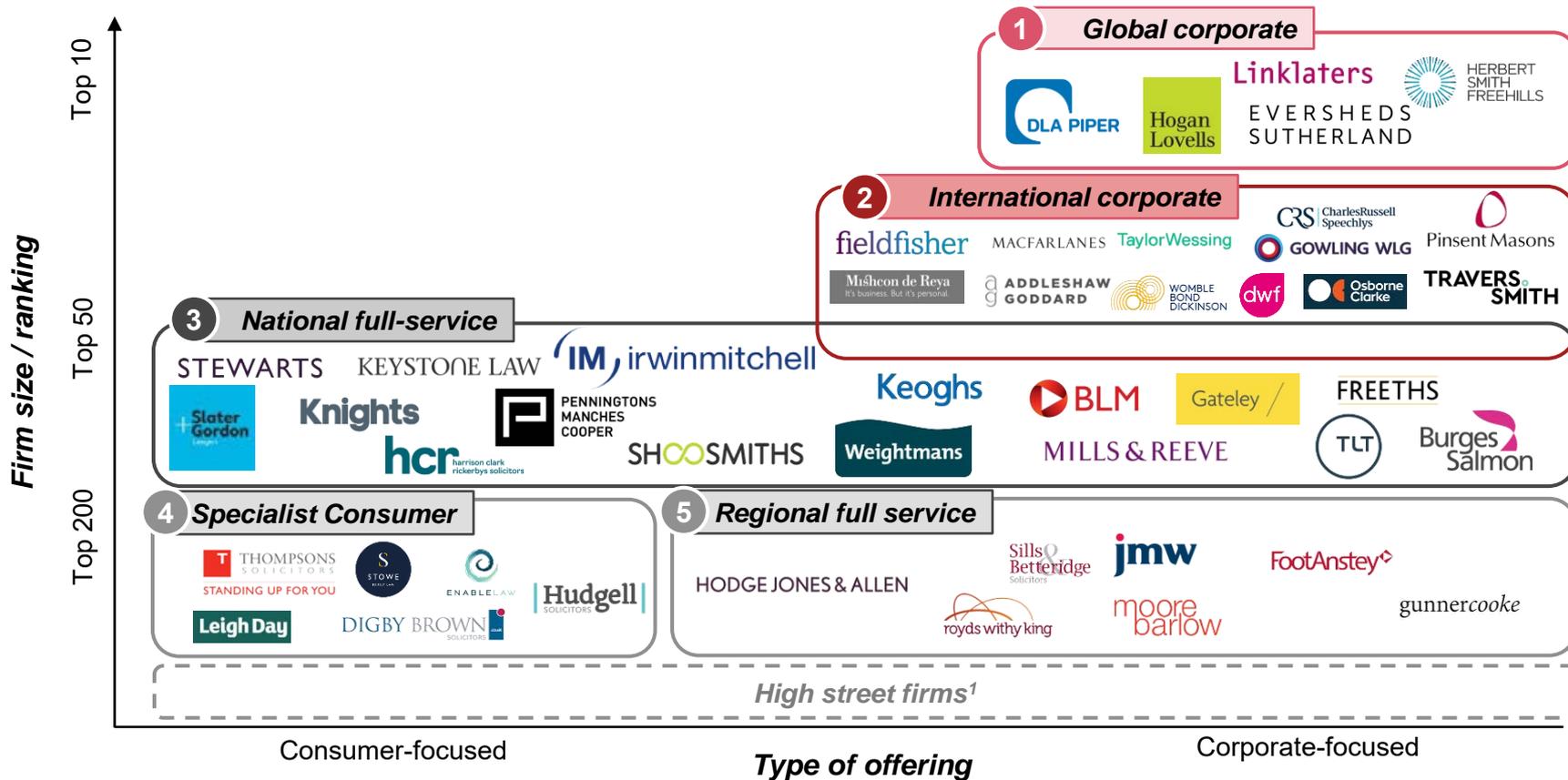
Cumulative market share of top 50 players
% (estimated), 2021



There are several law firm archetypes; law firms' focus on corporate law generally increases with scale (1 of 2)

UK legal services competitive mapping

Illustrative & Non-exhaustive



There are several law firm archetypes; law firms' focus on corporate law generally increases with scale (2 of 2)

UK legal services competitive landscape

Illustrative & Non-exhaustive

Key: Low  → High 

		PI focused law firms		Consumer focused law firms		Corporate law firms	
<i>Description</i>		<ul style="list-style-type: none"> Firms specialising in personal injury, representing either claimants (majority) or defendants – rarely both Typically operates at a national or local level 		<ul style="list-style-type: none"> Firms that offer a range of consumer-related legal services e.g. family/ marital and /or property etc. Typically operates at a national or local level 		<ul style="list-style-type: none"> Large players with corporate offerings e.g. commercial property, litigation, financial markets etc. Typically operates at a global/ international level 	
		<i>Degree of involvement</i>	<i>Example players</i>	<i>Degree of involvement</i>	<i>Example players</i>	<i>Degree of involvement</i>	<i>Example players</i>
Competitor type	Global corporate		<i>n.a.</i>		<i>n.a.</i>		 EVERSHEDS SUTHERLAND
	International corporate				 		 TRAVERS SMITH
	National full-service		 				 
	Specialist consumer / reg. full service		 		  		 

PI-focused participants comprise a mix of larger consumer generalists and small specialists

Indicative numbers from public sources

Competitors ¹	# of PI partners	As % of total partners	Ownership	Total UK revenue (£m) ²	Total # of UK lawyers	Rev per lawyer (£k) ²	Leverage ³
Sources	Firm websites		Public filings	Financials	Firm websites	Calculation	
Irwin Mitchell	78	38%	LLP	278	676	411	3.3
Slater and Gordon	43	75%	Private (Anchorage Capital)	111	177	185	3.2
Thompsons Solicitors	37 ⁴	84%	LLP	58	151	325	3.4
Leigh Day	32	55%	LLP	47	121	388	2.1
Digby Brown	27	100%	LLP	37	86	426	3.2
Stewarts Law	26	35%	LLP	76	117	648	1.6
Hugh James	23	34%	Trust Corp. Limited	52	n.a.	n.a.	n.a.
Fieldfisher	20	10%	LLP	232	297	782	1.6
JMW Solicitors	18	15%	LLP	56	172	324	1.5
Royds Withy King	16	21%	LLP	38	121	314	1.6
Hodge Jones & Allen	15	30%	LLP	17	62	270	1.2
Moore Barlow	11	16%	LLP	36	114	319	1.7

Key: ■ Global corporate ■ International corporate ■ National full-service ■ Specialist consumer / reg. full service

Key Relative financial performance; Low High

Top consumer law firms range from larger national participants to regional specialists

Competitors	# of consumer partners				Ownership	<i>Indicative numbers from public sources</i>			
	Total	Wills, trusts & probate	Family/ Children	As % total partners		Total UK revenue (£m) ¹	Total # of UK lawyers	Rev per lawyer (£k) ¹	Leverage ²
Sources	Firm websites				Public filings	Financials	Websites	Calculation	
Charles Russell Speechlys	35	22	13	24%	LLP	173	283	613	2.0
Harrison Clark Rickersby	35	18	17	21%	LLP	40	182	222	1.1
Irwin Mitchell	33	21	12	16%	LLP	278	676	411	3.3
Withers Worldwide	30	22	8	38%	LLP	131	146	895	1.8
Stowe Family Law	30	-	30	100%	LLP	14	63	224	2.1
Farrer & Co	25	18	7	27%	LLP	80	190	422	2.1
Penningtons Manches Cooper	22	9	13	18%	LLP	98	248	394	2.0
Knights	22	15	7	9%	PLC	103	375	275	1.6
Forsters	22	18	4	36%	LLP	60	165	364	2.7
Sills & Betteridge	22	11	11	51%	LLP	14	39	367	0.9
Mills & Reeve	21	14	7	15%	LLP	125	416	301	2.9
Keystone Law	21	8	13	8%	PLC	55	452	122	1.8
Mishcon de Reya	20	13	7	11%	LLP	188	303	627	1.7

Key: ■ Global corporate ■ International corporate ■ National full-service ■ Specialist consumer / reg. full service

Key Relative financial performance; Low ■ ■ ■ High

Legal services market

Strategy&

Notes: 1) FY21 financials provided or latest available year; 2) Ratio of number of lawyers per partner
Source: Companies House, Company Websites, Strategy& Analysis, The Law, Legal Monitor

14 July 2022

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Competitors in the corporate space principally comprise national full-service providers

Indicative numbers from public sources

Competitors	# of corporate partners	As % total partners	Ownership	Total UK revenue (£m) ¹	Total # of UK lawyers	Rev per lawyer (£k) ¹	Leverage ²
Sources	Firm websites		Public filings	Financials	Websites	Calculation	
Shoosmiths	187	81%	LLP	168	435	386	1.9
Gateley	146	86%	PLC	107	312	344	1.8
Fieldfisher	145	76%	LLP	232	297	782	1.6
Mishcon de Reya	138	75%	LLP	190	303	627	1.7
Freeths	128	83%	LLP	102	369	278	2.4
TLT	125	87%	LLP	113	208	543	1.5
Mills & Reeve	98	69%	LLP	125	416	301	2.9
Charles Russell Speechlys	97	67%	LLP	173	283	613	2.0
Weightmans	86	46%	LLP	98	386	254	2.1
Irwin Mitchell	84	41%	LLP	278	676	411	3.3
Penningtons Manches Cooper	80	65%	LLP	98	248	394	2.0
Burges Salmon	67	67%	LLP	110	326	337	3.3
Travers Smith	65	72%	LLP	186	323	576	3.6

Key: ■ Global corporate ■ International corporate ■ National full-service ■ Specialist consumer / reg. full service

Key Relative financial performance; Low ■ ■ High ■

Contents

Overview of the legal services market

Market drivers

Competitive landscape

Growth adjacencies

Law firms are exploring a range of adjacent services to differentiate and grow (1 of 2)

	Wealth management	Alternative legal services provision (ALSP)	Risk / Reg Consulting
Description	<ul style="list-style-type: none"> Possible adjacency for law firms with a strong focus on family and/or private client matters Some PI firms have built wealth management divisions to help clients to manage the (substantial) damages payouts their clients receive from settlements 	<ul style="list-style-type: none"> Opportunity for law firms to expand into alternative delivery models to capture growth in ALSP market Flexible contract lawyers, managed services, LPO models present the most addressable segments 	<ul style="list-style-type: none"> Market liberalisation has enabled multi-disciplinary firms, law firms have strong synergies with tax advice, and several consulting segments inc. Governance Risk and Compliance, Cyber/Data Privacy, Org. change
Market dynamics	<ul style="list-style-type: none"> Large and growing market, supported by (e.g.: Aging population with inter-generational wealth transfer, a shift from DB to DC pensions) 	<ul style="list-style-type: none"> Large and growing market – weighted towards Managed Services / LPO services Shift to ALSPs driven by client focus on cost, efficiency, and flexibility 	<ul style="list-style-type: none"> Narrow but growing field of consulting / advisory Increasing diversification of professional services Demand for inter-connected advice
Solicitor firms	    	  	 
Key players	  	   	   

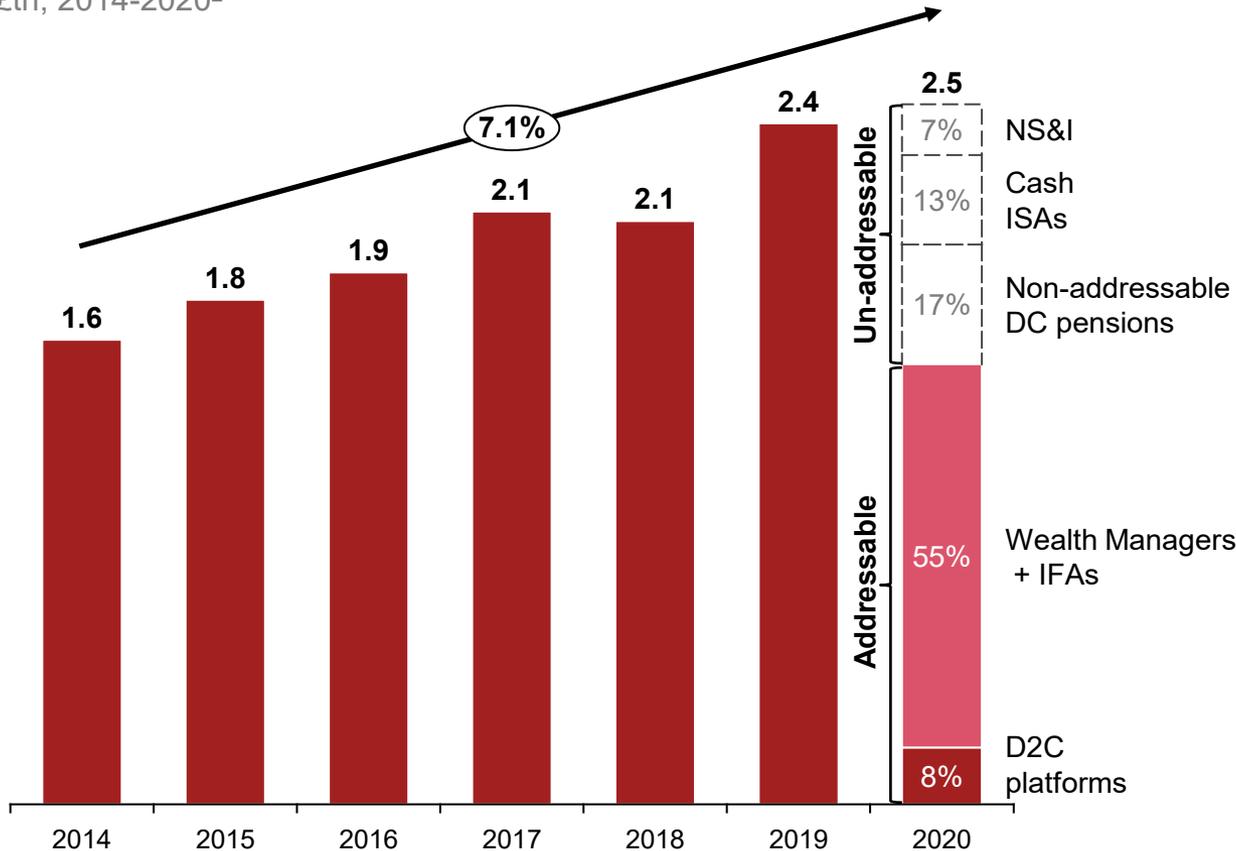
Law firms are exploring a range of adjacent services to differentiate and grow (2 of 2)

	Forensics / Litigation support	Litigation funding	Legal Ops Consulting
Description	<ul style="list-style-type: none"> Investigations support and forensic analysis have natural synergy within dispute practice – particularly for complex disputes 	<ul style="list-style-type: none"> Fast growing alternative asset class connected to disputes market with clear requirement for disputes capabilities Several firms have investigation their own litigation funding vehicles 	<ul style="list-style-type: none"> Fast growing consulting service focused on advising corporate legal departments and legal operations teams on efficiency improvements and technology investment
Market dynamics	<ul style="list-style-type: none"> Large growing market Driven by growth in underlying disputes Increasing volume and complexity of cyber / digital forensics 	<ul style="list-style-type: none"> Large and fast growing market Driven by increasing availability and adoption of litigation funding 	<ul style="list-style-type: none"> Niche but fast growing field of consulting Growing size of in-house legal departments Significant need for efficiency and tech improvements
Solicitor firms	 	 	
Key players	  	 	    

c.£1.5tn worth of UK Savings and Investments is addressable by the wealth management and advisory service providers

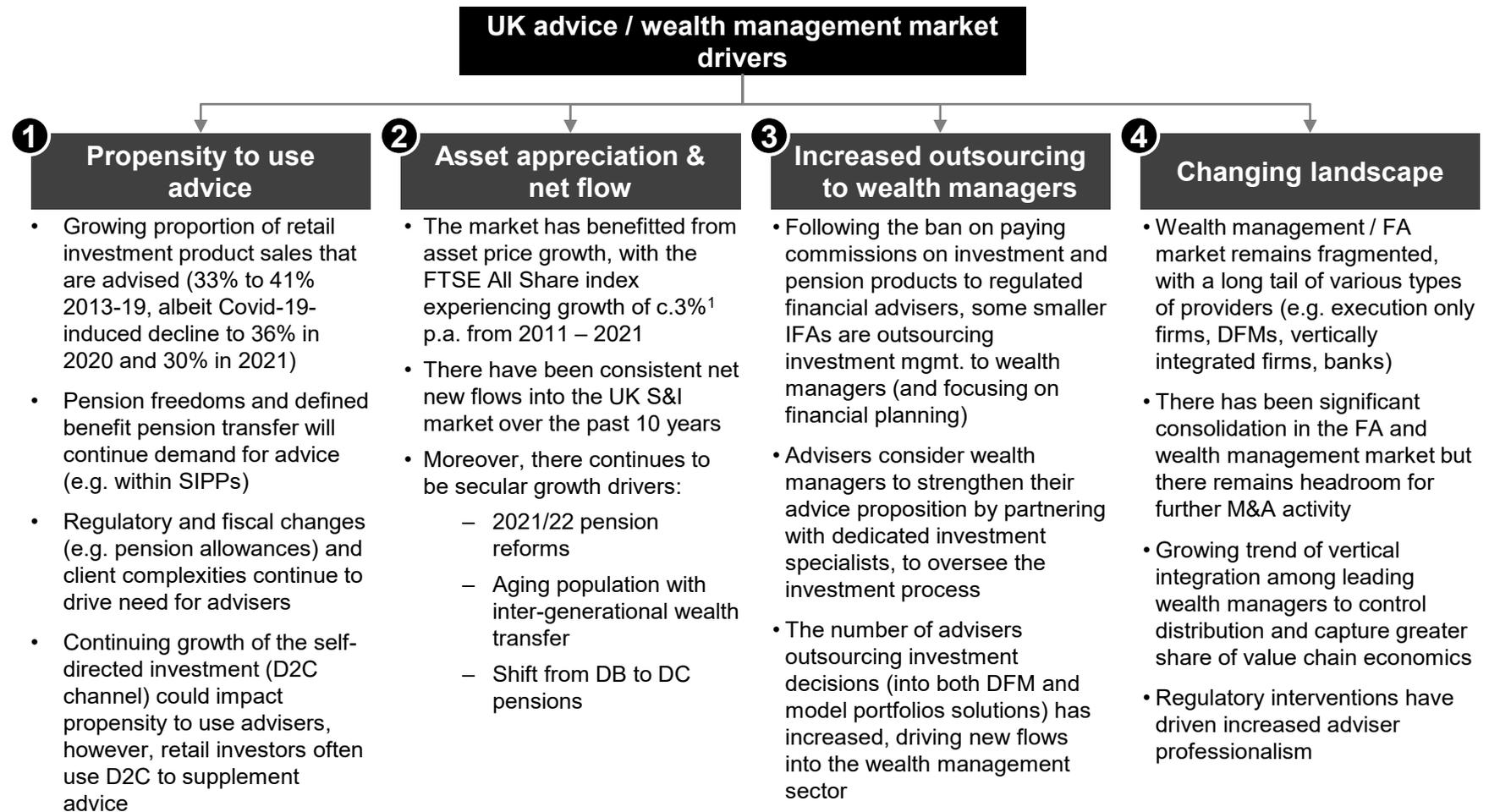
UK Savings & Investments market¹

£tn, 2014-2020²



- The UK's total savings & investment market was c.£2.5tn in 2020, of which c.£1.5tn is addressable by the wealth management industry
- Within the addressable market, wealth managers (including law firms), private and high street banks, and independent financial advisors accounted for c.£1.3tn, with the remainder attributed to direct-to-consumer (D2C) investment platforms
- Wealth management forms a potential adjacency to PI / CN law firms, with clients receiving large claim settlements. We indicatively estimate new AuM flows arising from new Court of Protection deputyships in the range of c.£1-1.5bn per year

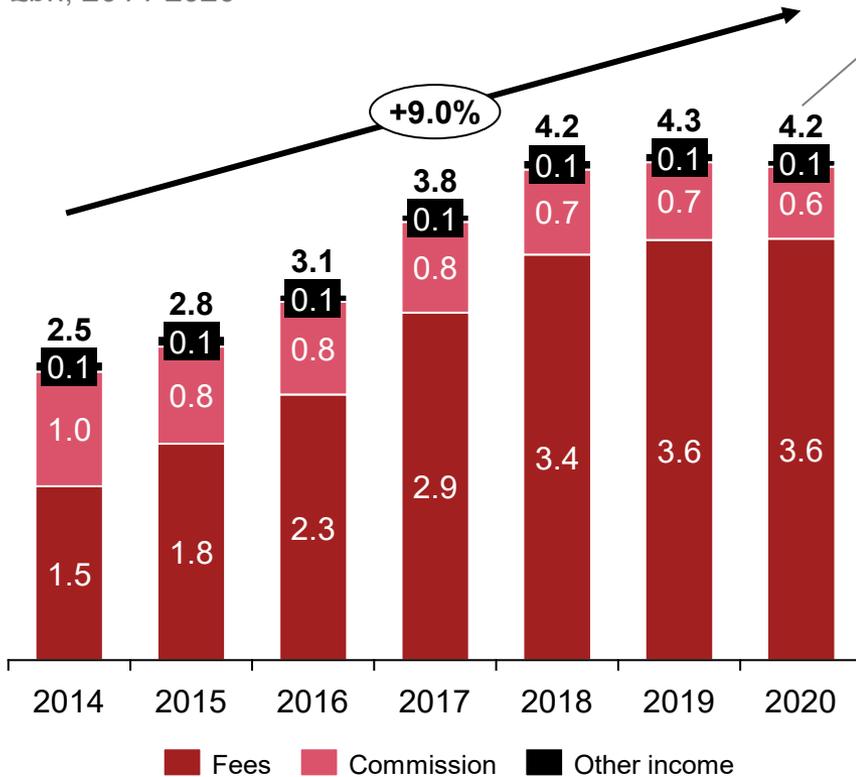
There are a number of positive market dynamics which underpin growth



The UK advice market has grown at c.9% p.a. from 2014-20

UK advice market¹ – revenue by source

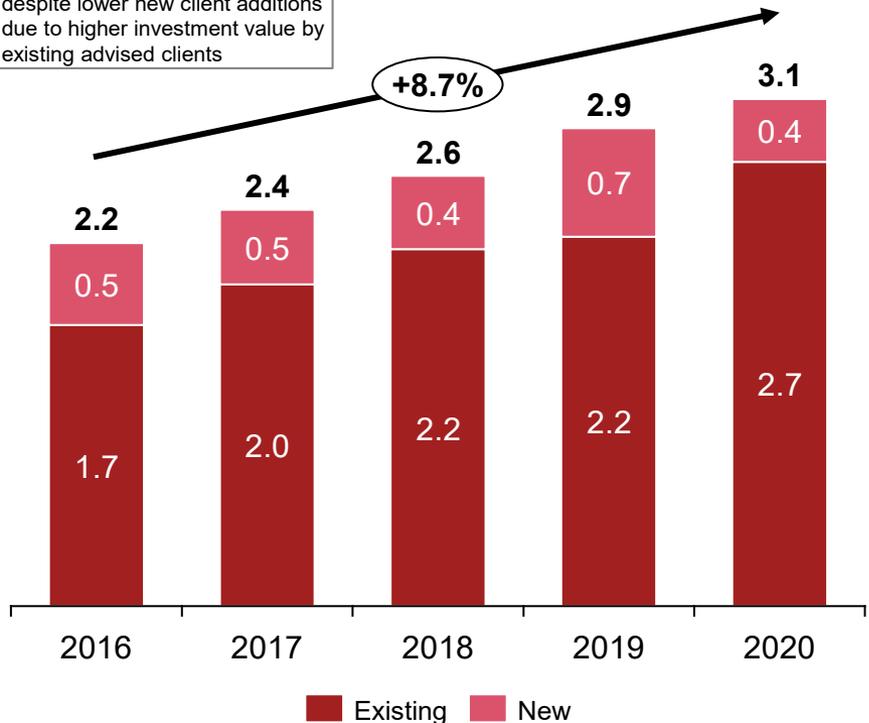
£bn, 2014-2020²



UK advice market – client base

m, 2016-2020²

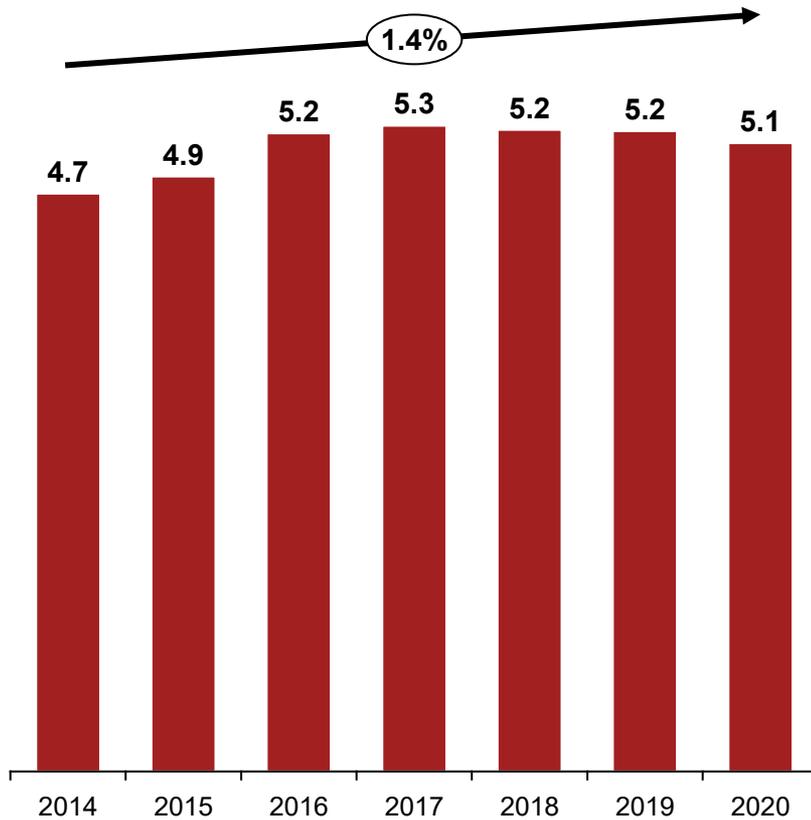
Marginal YoY decline (1.3%) despite lower new client additions due to higher investment value by existing advised clients



The number of financial advisory firms has grown at 1.4% p.a. from 2014-20 to reach 5.1k

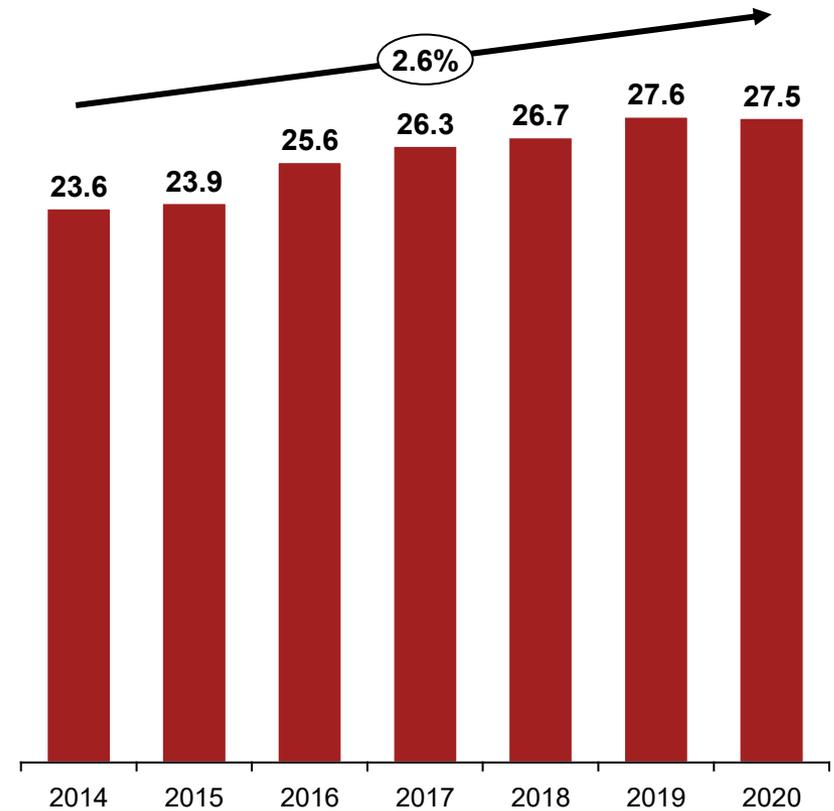
No. of Financial Advisory firms

'000s, 2014-2020¹



No. of Financial Advisers

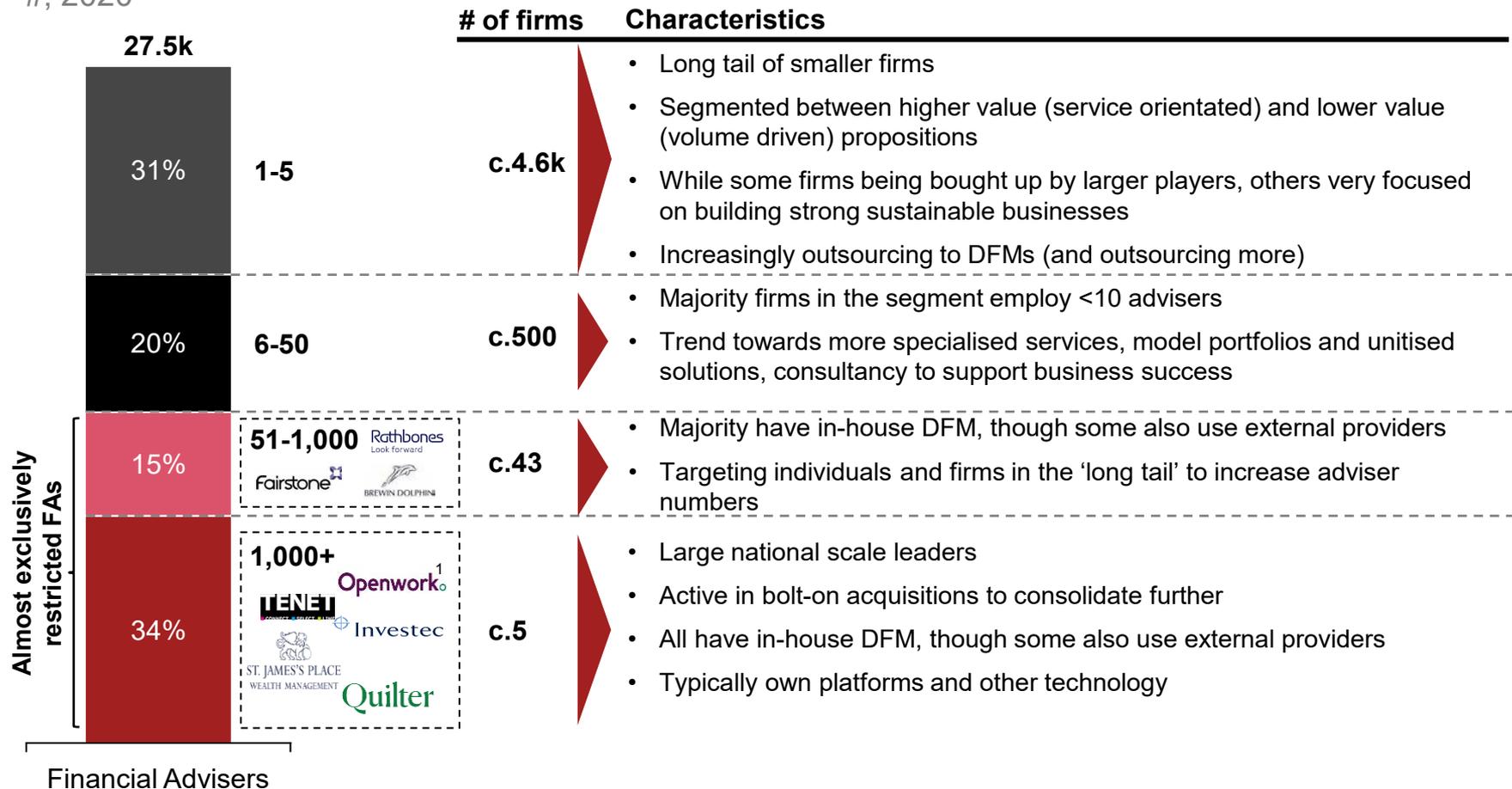
'000s, 2014-2020¹



There is a long tail of c.4.6k small FAs (many of whom offer advice only), with 1-5 financial advisers

UK Financial Advisers, by size of firm

#, 2020



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'PwC' refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.