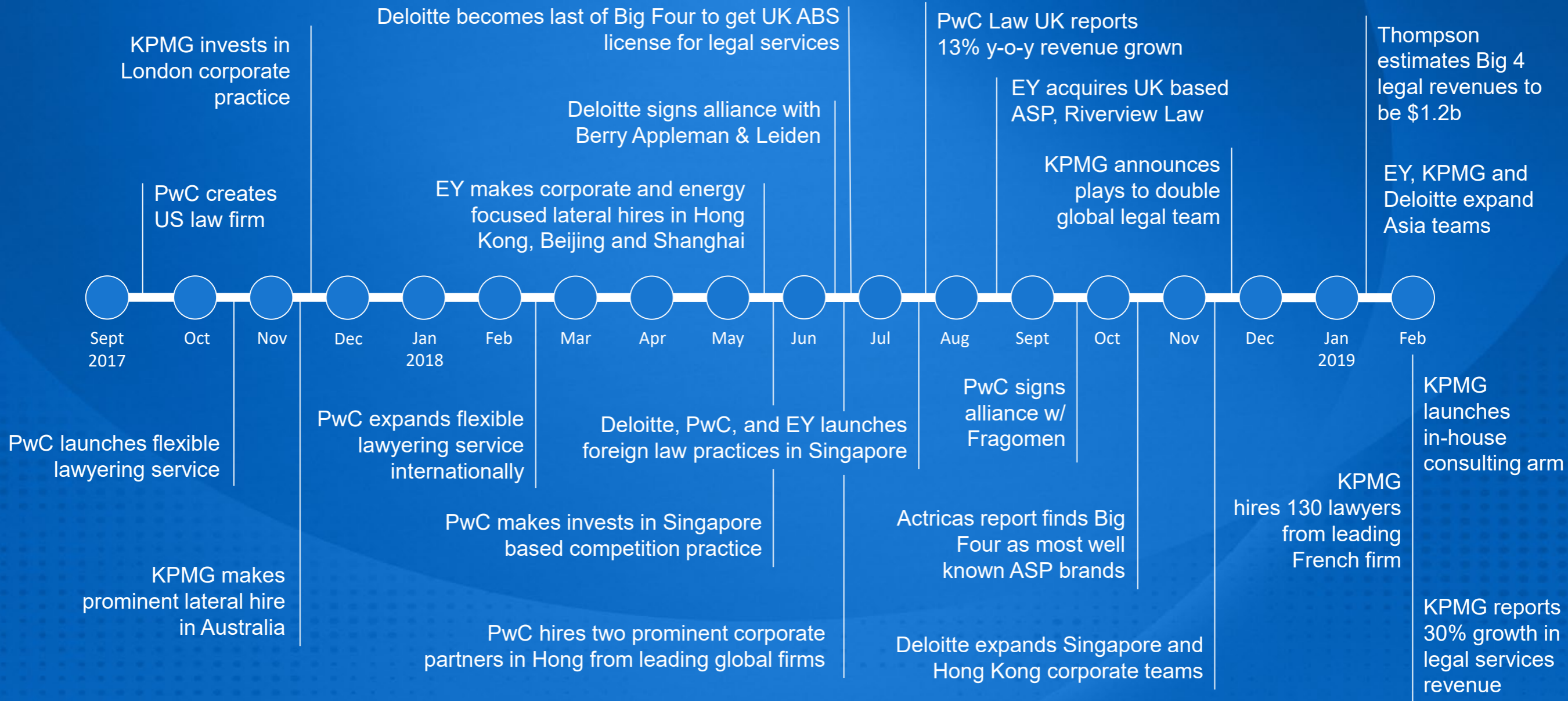


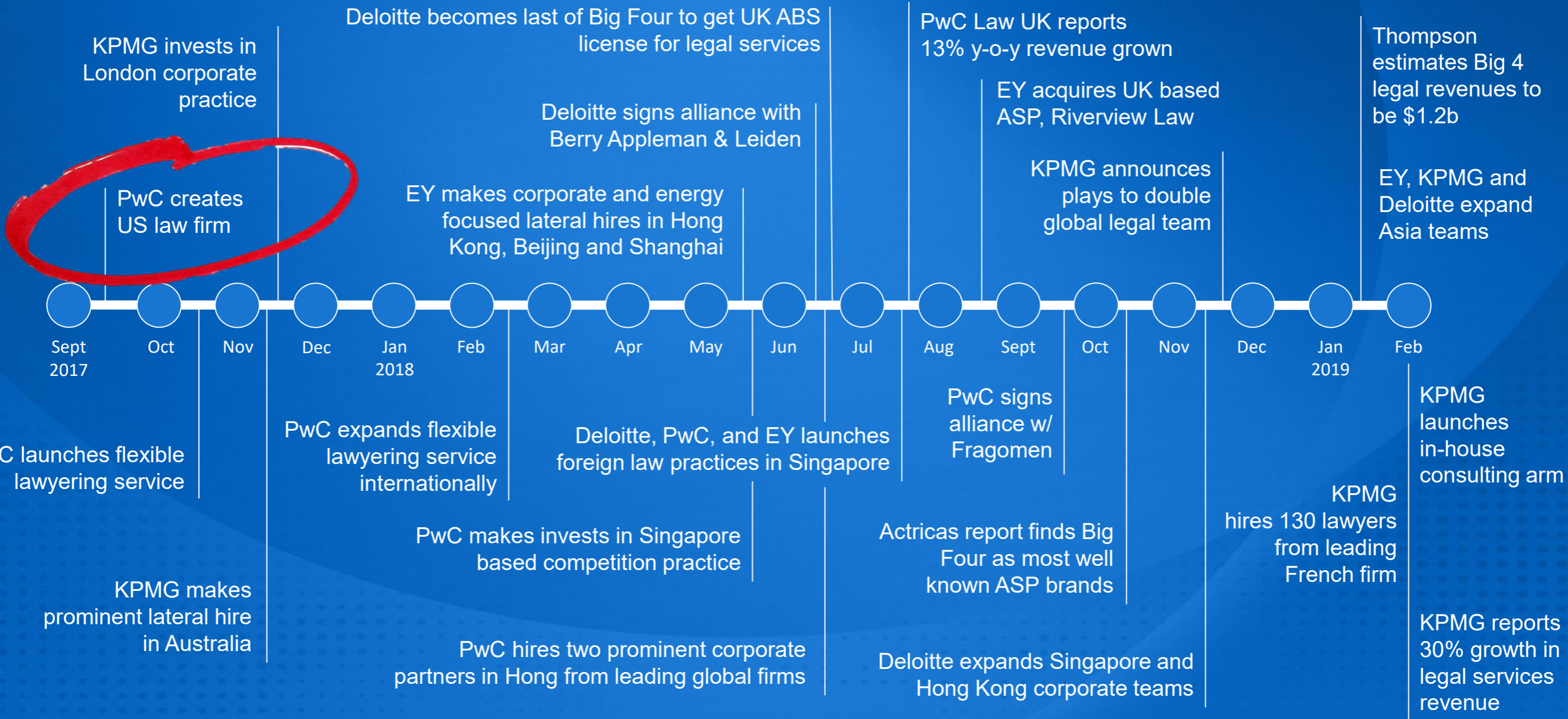
THE ELEPHANTS IN THE ROOM

THE BIG FOUR'S EXPANSION IN THE LEGAL MARKET

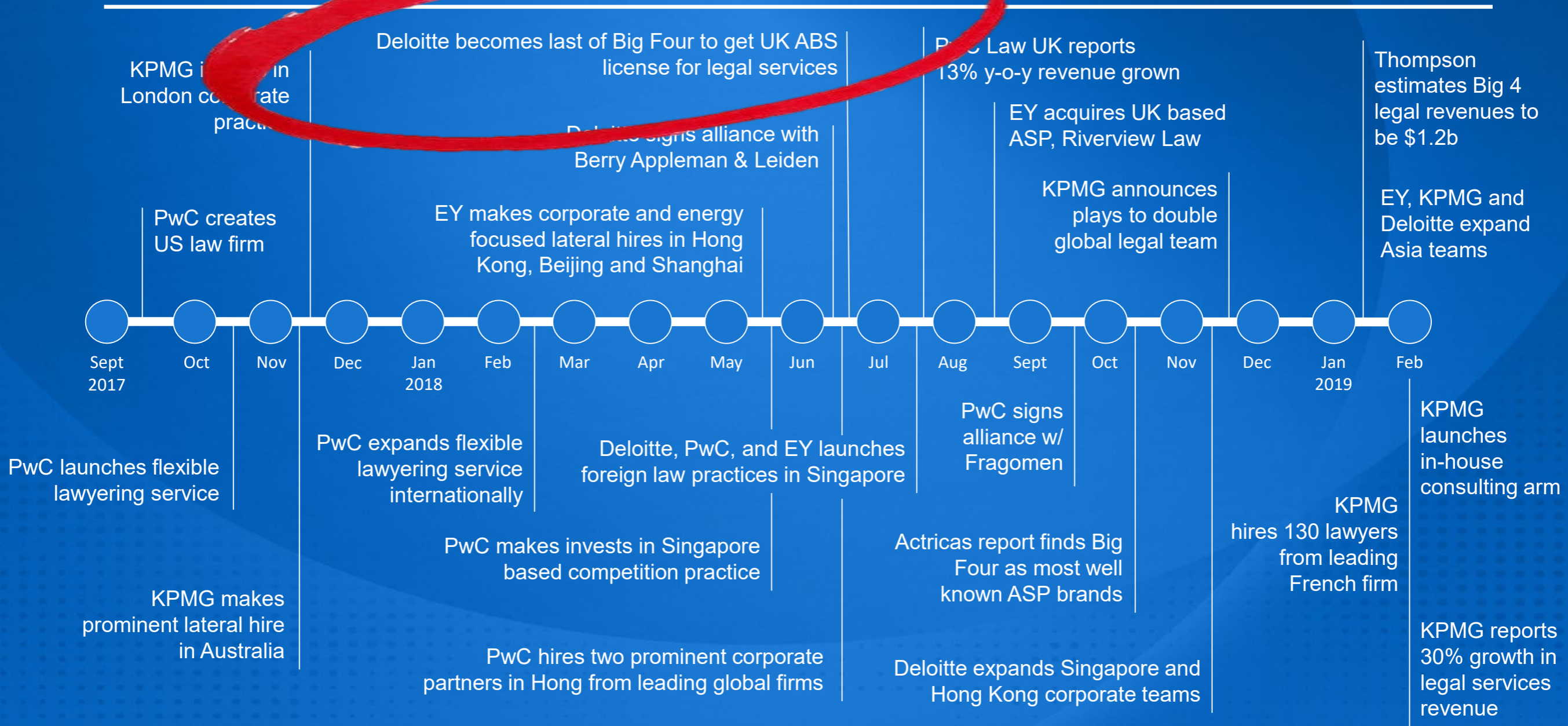
Nicholas Bruch, Director, ALM Legal Intelligence

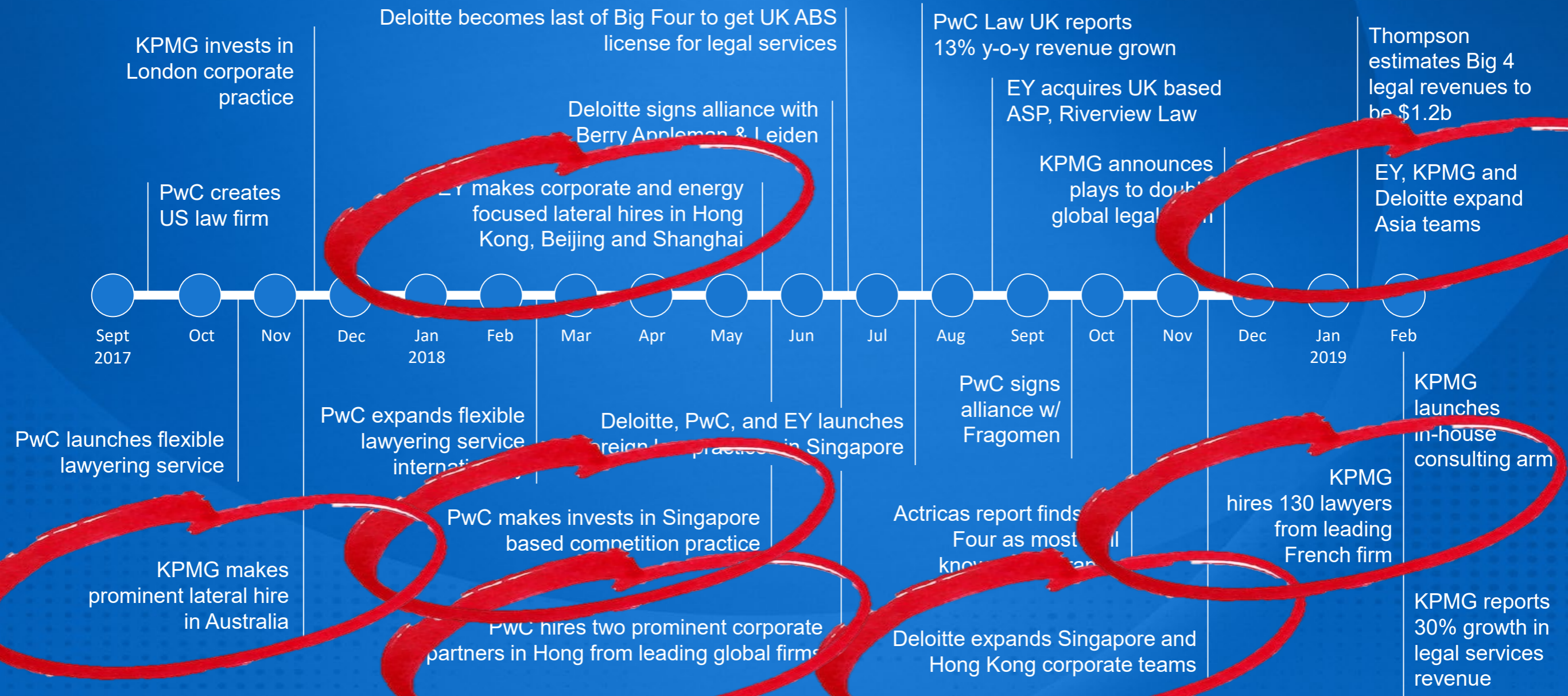
617-866-0229 | nbruch@alm.com

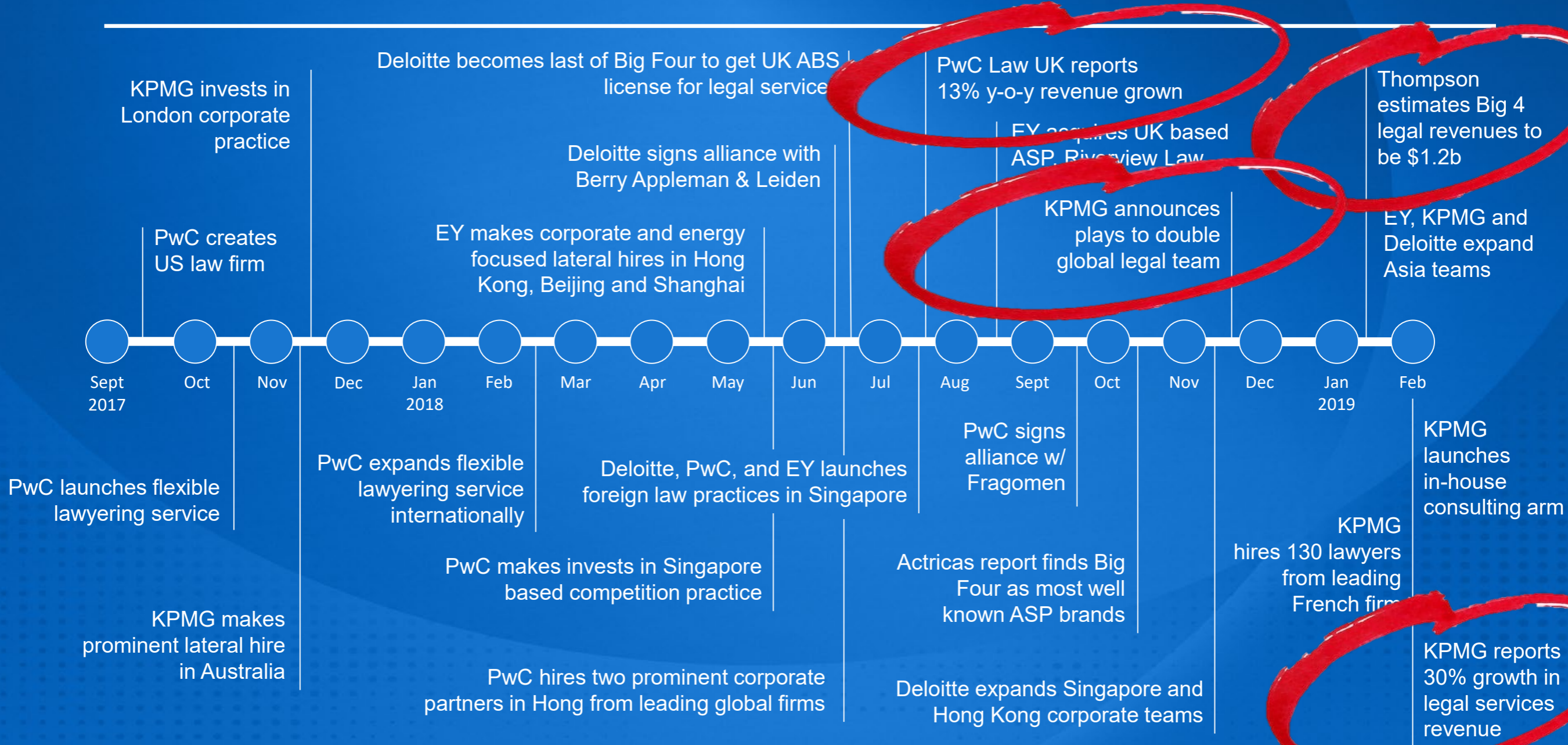


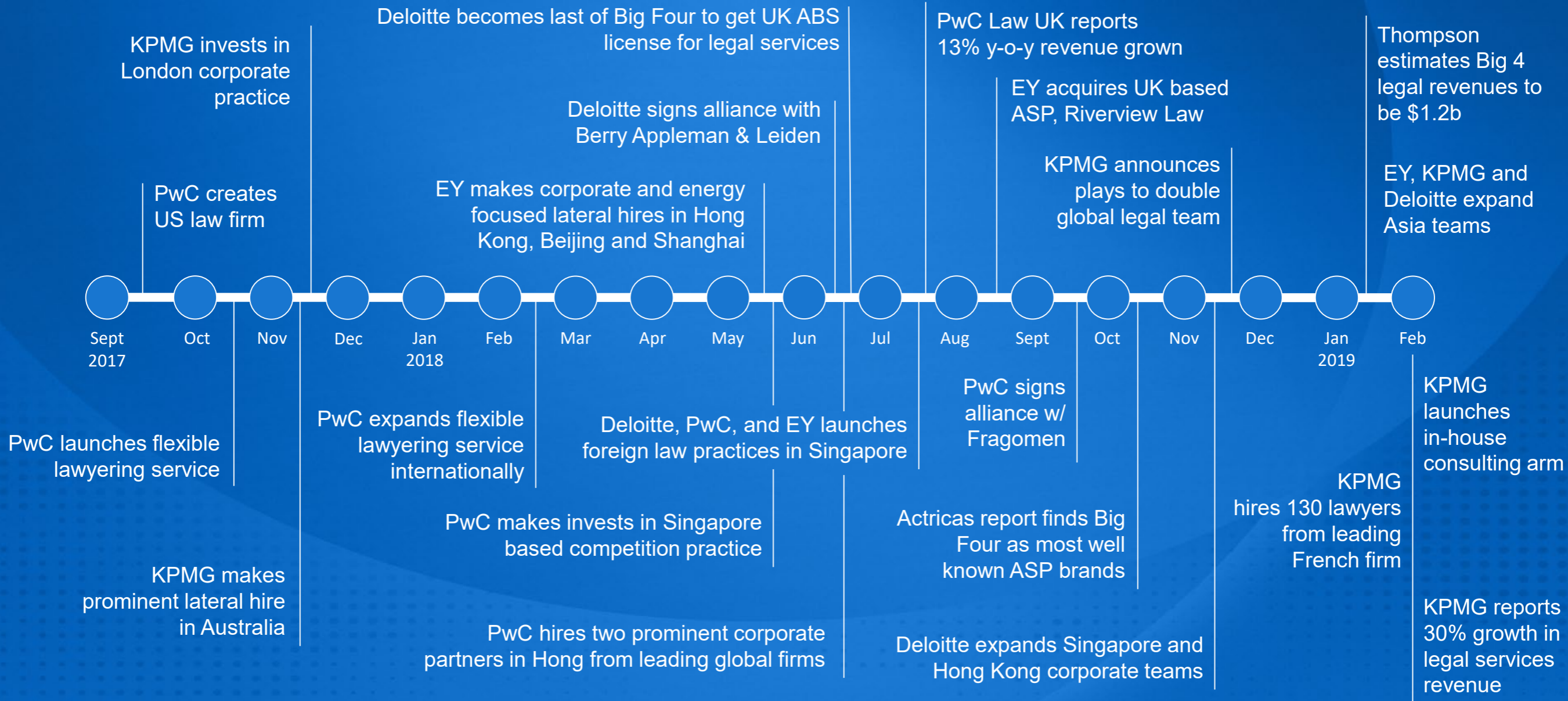












Discussion Topics

1. **Current State:** The Big Four's legal arms in 2019
2. **The Future:** The Big Four's strategy for expansion in the legal market
3. **The Bigger Picture:** How the Big Four fit into broader legal market trends
4. **Questions & Answers**

The Current State

The Big Four's Legal Arms in 2019

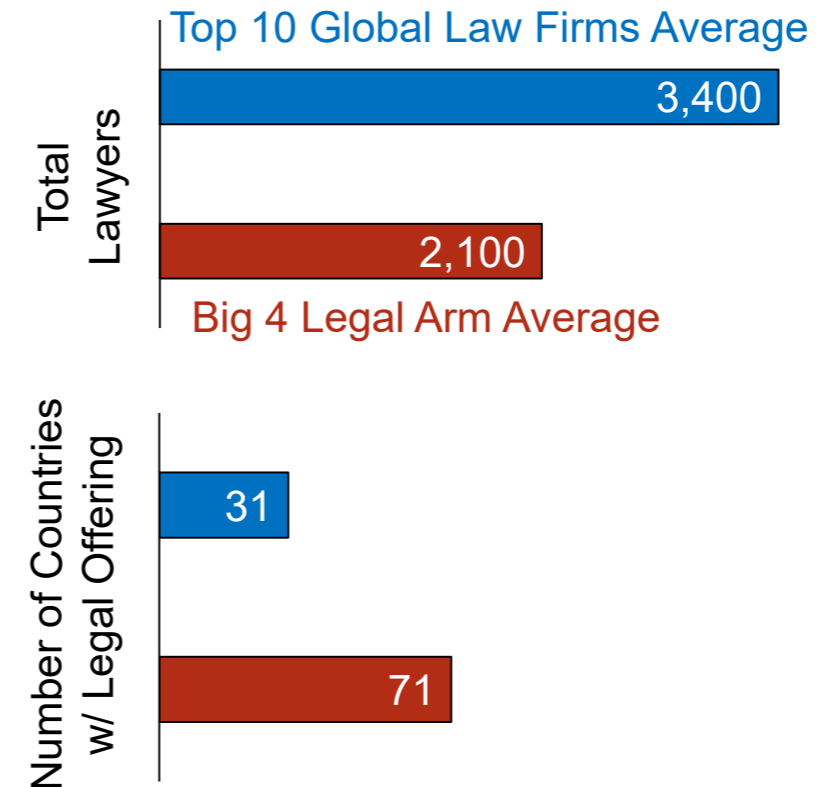
The Big Four's legal arms are significantly larger than most law firms and law departments appreciate

Global law firms vs. legal arms of Big Four accounting firms

Top 10 largest law firms by number of lawyers vs. the legal arms of The Big Four

Global Rank	Law Firm	Lawyers	Countries
1	Dentons*	7,700	57
2	Baker & McKenzie	4,600	46
3	DLA Piper	3,600	32
4	Norton Rose Fulbright	3,500	27
5	Hogan Lovells	2,600	22
6	Jones Day	2,500	18
6	CMS Legal Services*	2,500	33
6	Clifford Chance*	2,500	26
9	Linklaters*	2,300	20
10	Allen & Overy*	2,200	32

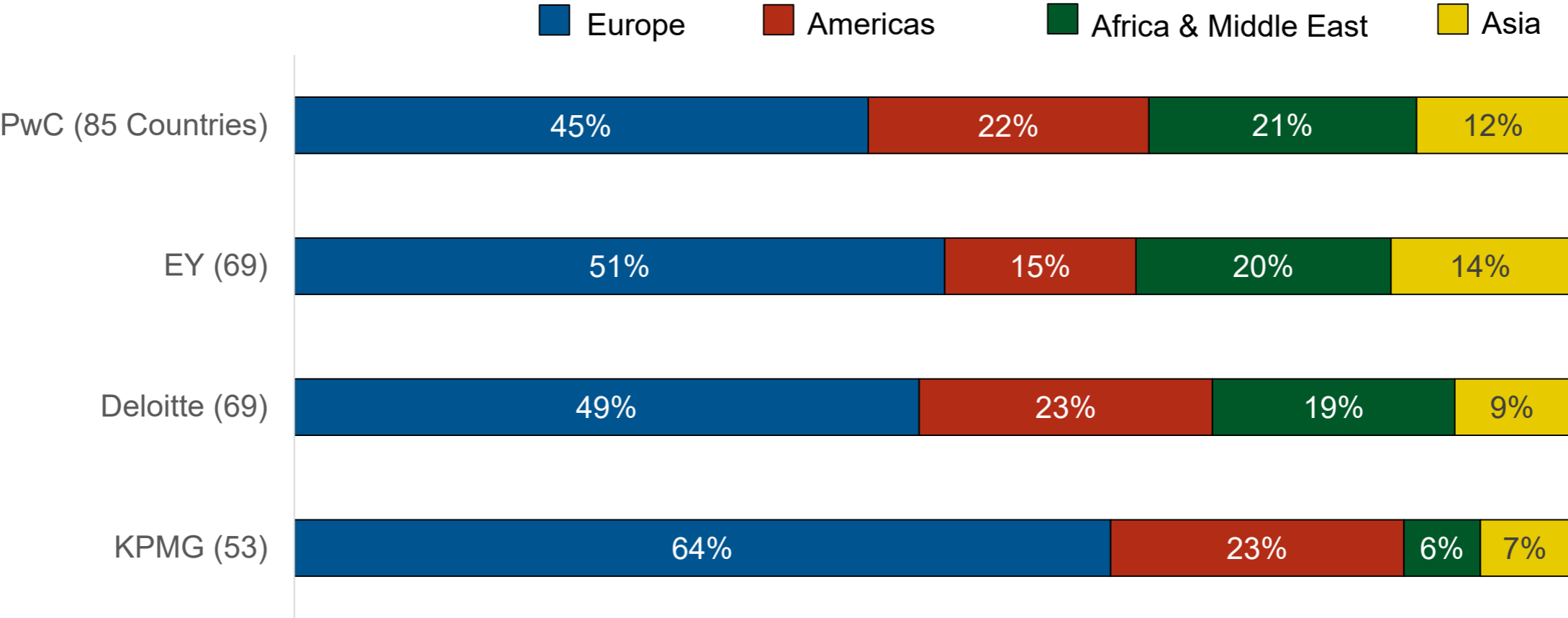
Global Rank	Accounting Firm	Lawyers	Countries
1	PwC	2,500	85
2	KPMG	2,200	53
3	EY	2,000	76
4	Deloitte	1,800	69



While the Big Four's legal arms are globally spread, they are concentrated in Europe

Geographic footprint of Big Four's legal arms

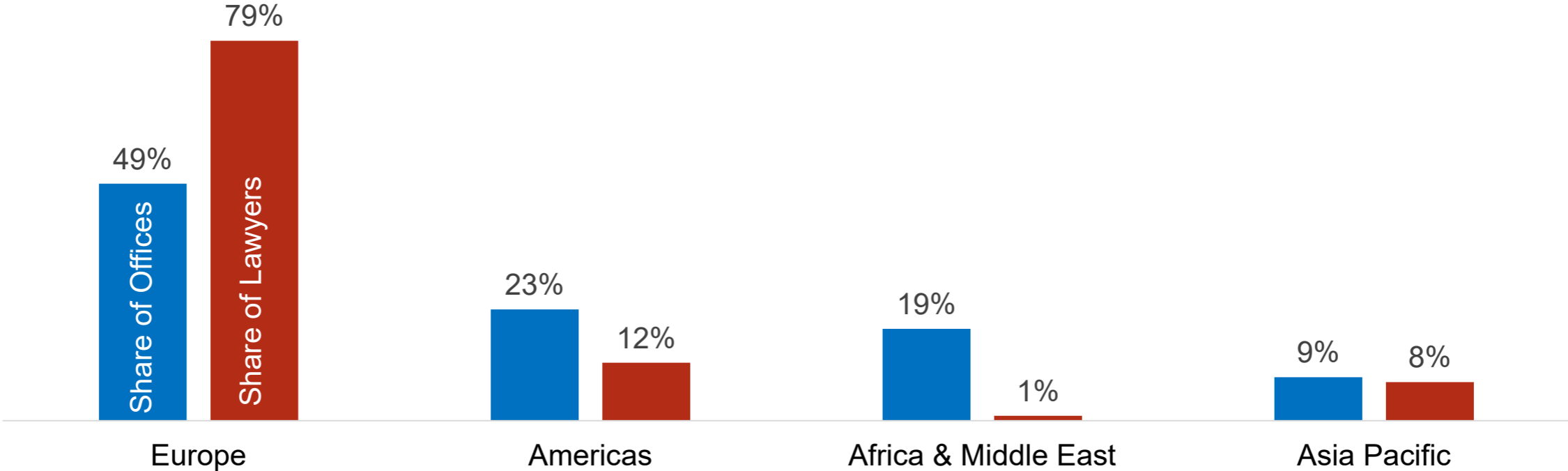
Share of countries where the Big Four promote a wide range of legal services



In headcount terms the Big Four are even more concentrated in Europe

Deloitte's geographic footprint

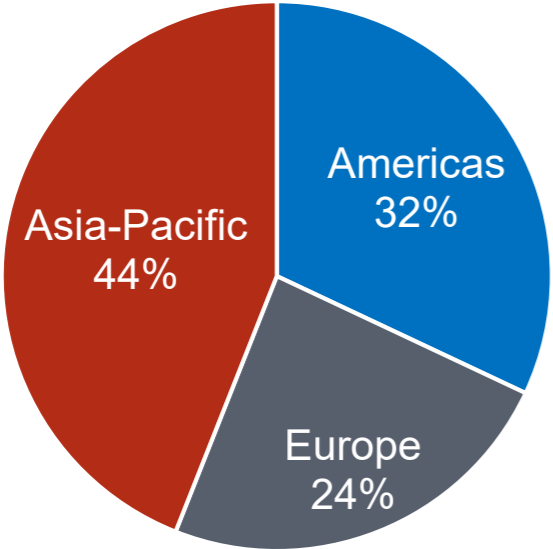
Percentage of offices and lawyers by global region



The legal arms of the Big Four are growing in every market – although Asia is clearly a focus

Lateral Hires by Big Four

Hires by Region (2016 – 2018)



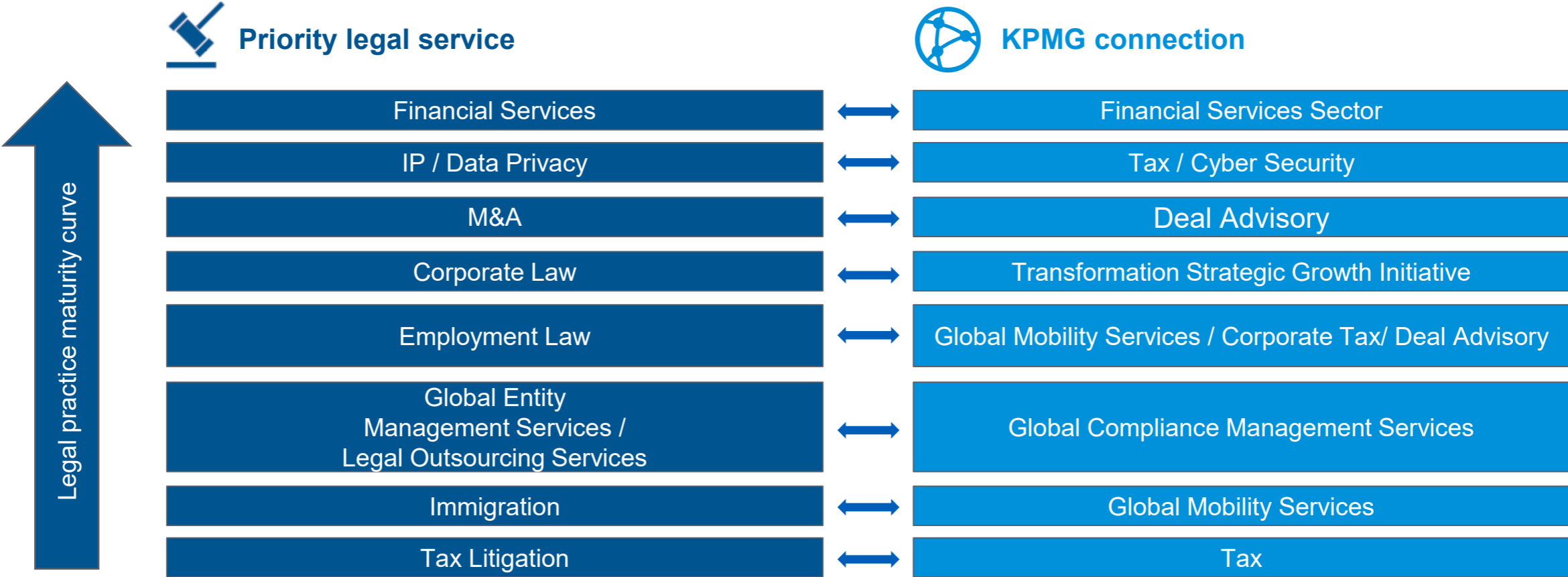
Recent Big Four Lateral Hires

For Past 18 Months, February 2018 – September 2017,

- 2019
 - February: KPMG hired 130 tax, transfer pricing, and international mobility specialists from leading French law firm Fidal
 - January: KPMG hires transaction lawyer in Hong Kong from Shanghai
- 2018
 - November: Deloitte hires Singapore based tax partner from Allen & Overy
 - October: EY Law hires tax litigation lawyer from Goodwin in Boston
Deloitte hires tax partner from Crowel & Moring in Washington DC
 - June : PwC hires Hong Kong based M&A specialist from Mayer Brown
 - May: EY hires energy focused hires in Hong Kong, Shanghai and Beijing
 - April: PwC hires leading competition partner from KWM in Hong Kong
- 2017
 - November: KPMG hires corporate partners from Eversheds and Shoosmiths
 - September: Deloitte hires Madrid based M&A partner from Latham

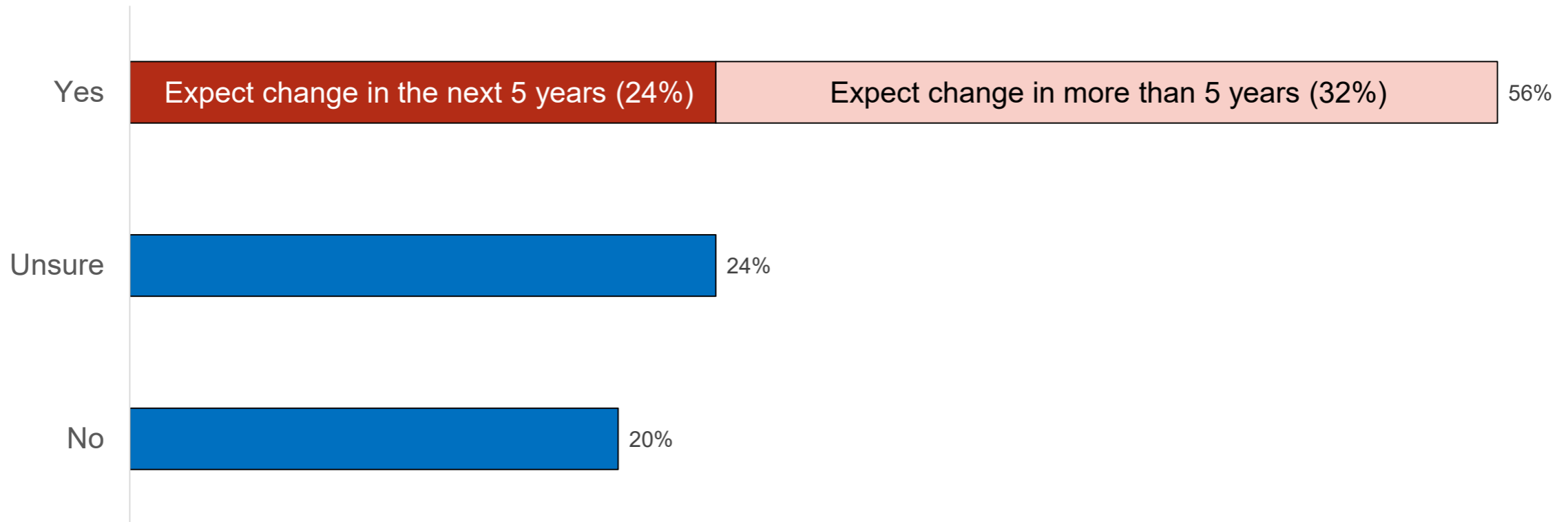
The current service offering of the Big Four in legal is highly connected to their strengths in audit and consulting

How KPMG describes their legal service offering



The regulatory landscape surrounding the Big Four's involvement in the legal industry is evolving quickly

Do you expect regulatory changes which would allow accounting companies to practice law in markets in which they are now barred, such as the United States?



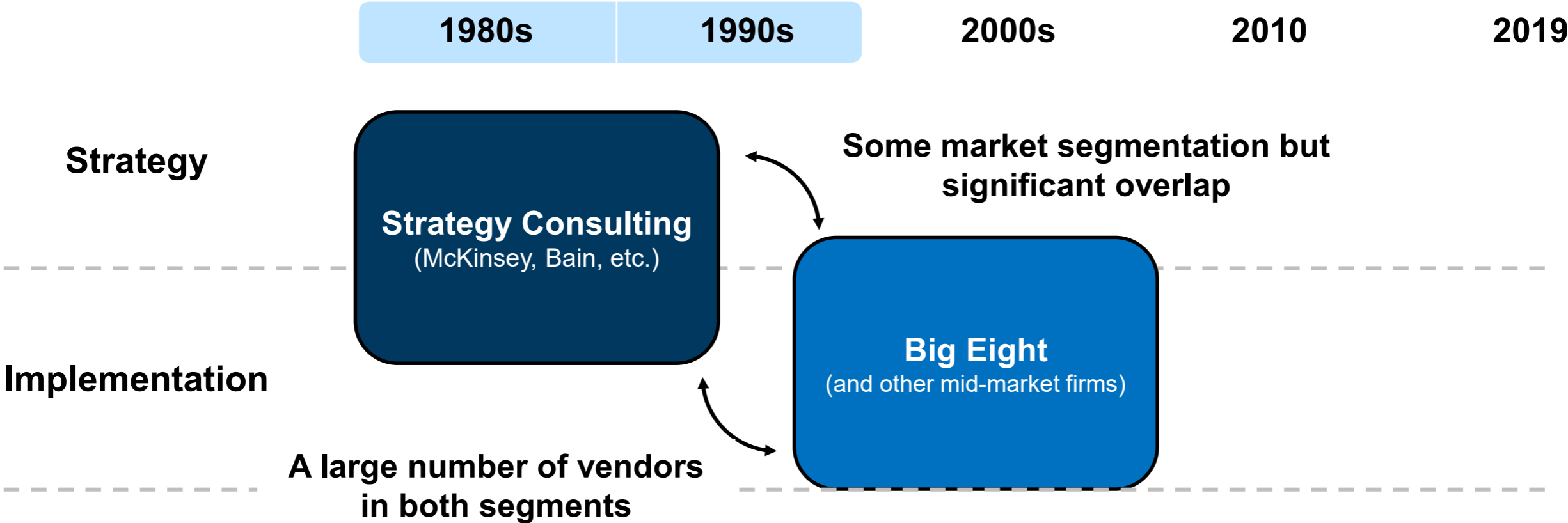
A few takeaways

- **The Big Four's legal arms are extremely large and globally spread**
- **While focused in Europe they are expanding quickly – particularly in Asia**
- **The Big Four are using a range of strategies to expand into legal**
- **Their legal service offering is tied to their audit and consulting strengths**
- **The Big Four are rapidly evolving their legal services business**

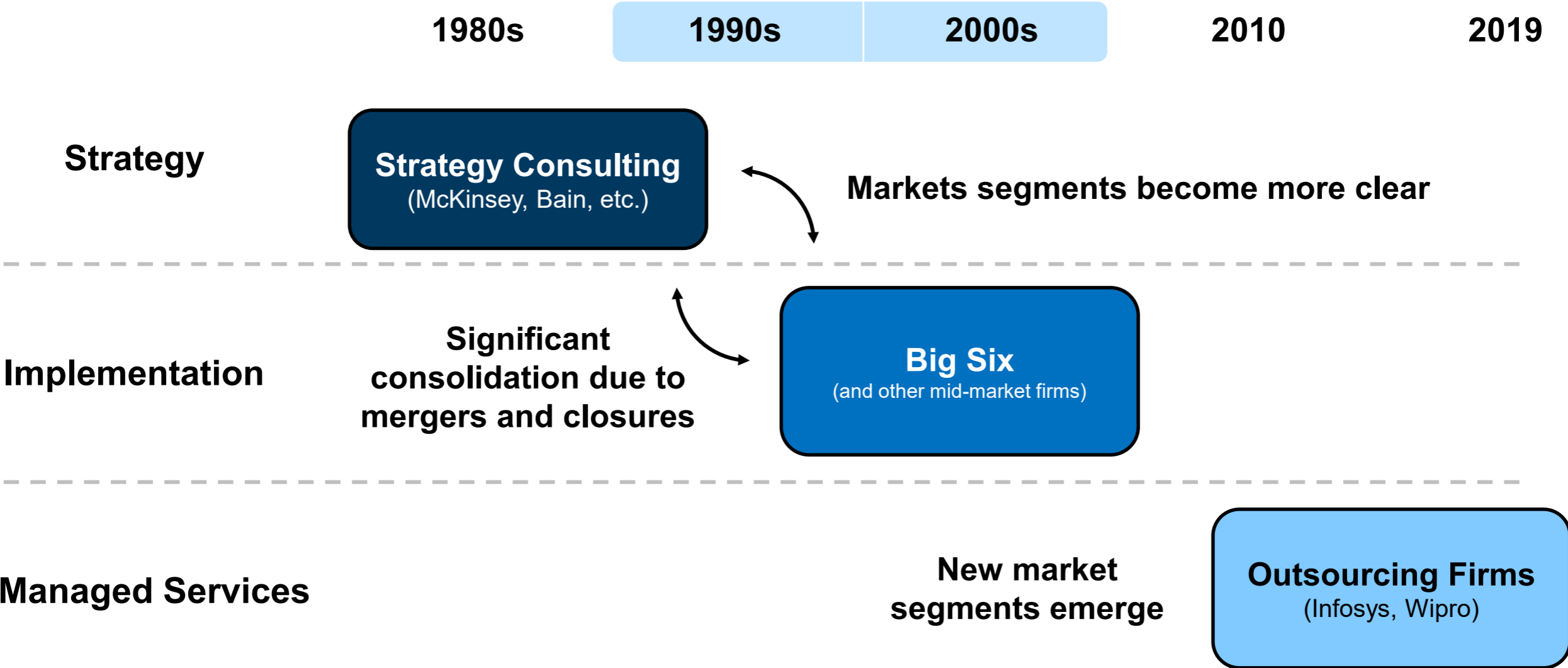
The Future

The Big Four's Legal Market Strategy

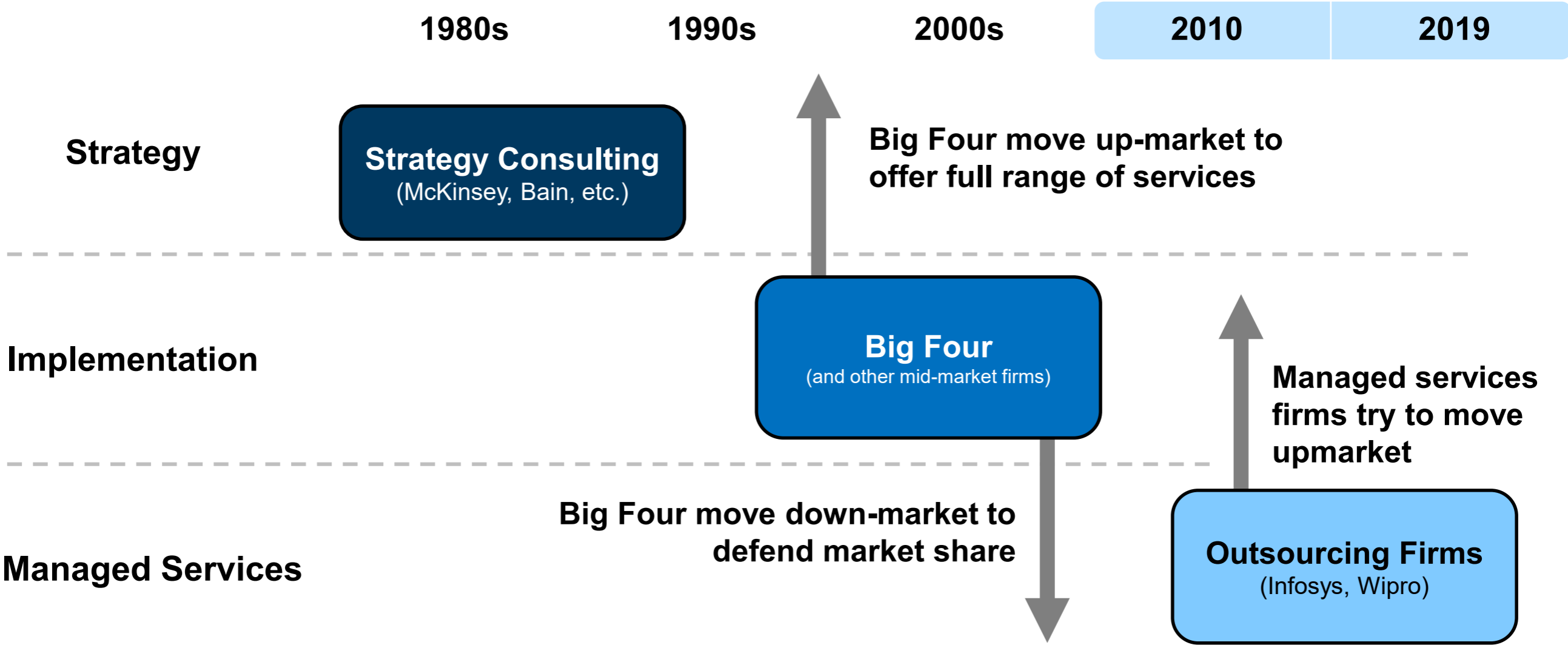
The Evolution of The Consulting Market



The Evolution of The Consulting Market



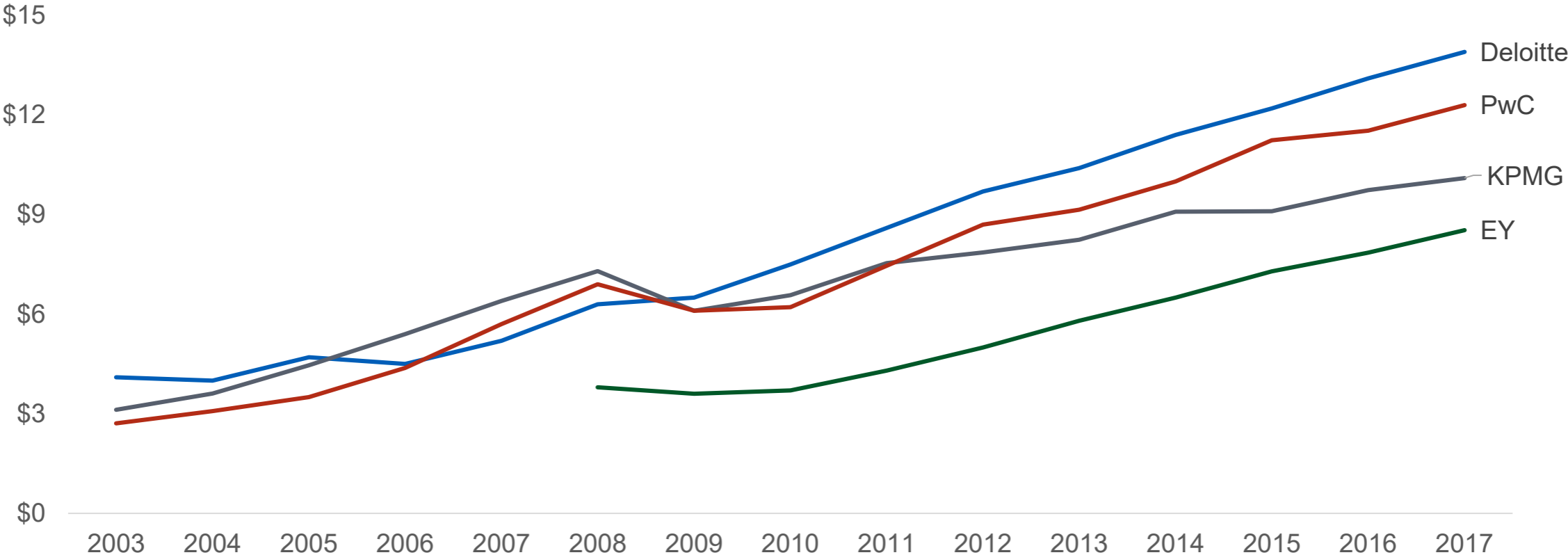
The Evolution of The Consulting Market



The Evolution of The Consulting Market

The Big Four's expansion in the consulting market

Advisory revenue by year, \$bn



A few takeaways

- **The Big Four's expansion into consulting did not happen overnight**
- **Acquisitions of smaller firms were used to build scale and gain expertise**
- **They targeted mid-value work first – then expanded**
- **The accounting firms will alter their strategies to changing market conditions**
- **The Big Four's brands and size allowed them to build significant share**

**What is the Big Four's Strategy
For Expansion In The Legal Industry?**

The Big Four's expansion in the legal market is likely to be driven by two separate – but linked - strategies



Expand into legal “advice” services adjacent to existing strengths in audit and consulting

Expand into “managed legal services” areas which are currently targeted by ASPs

The Big Four's expansion in the legal market is likely to be driven by two separate – but linked - strategies

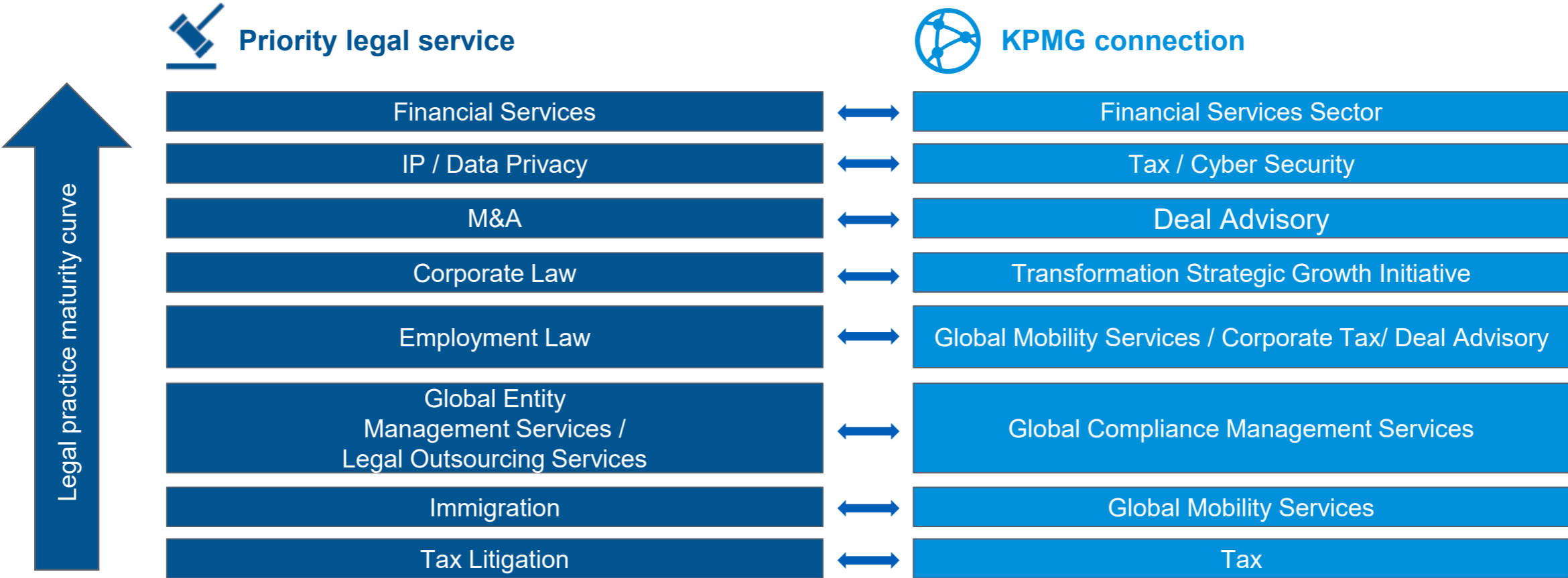


Expand into legal “advice” services adjacent to existing strengths in audit and consulting

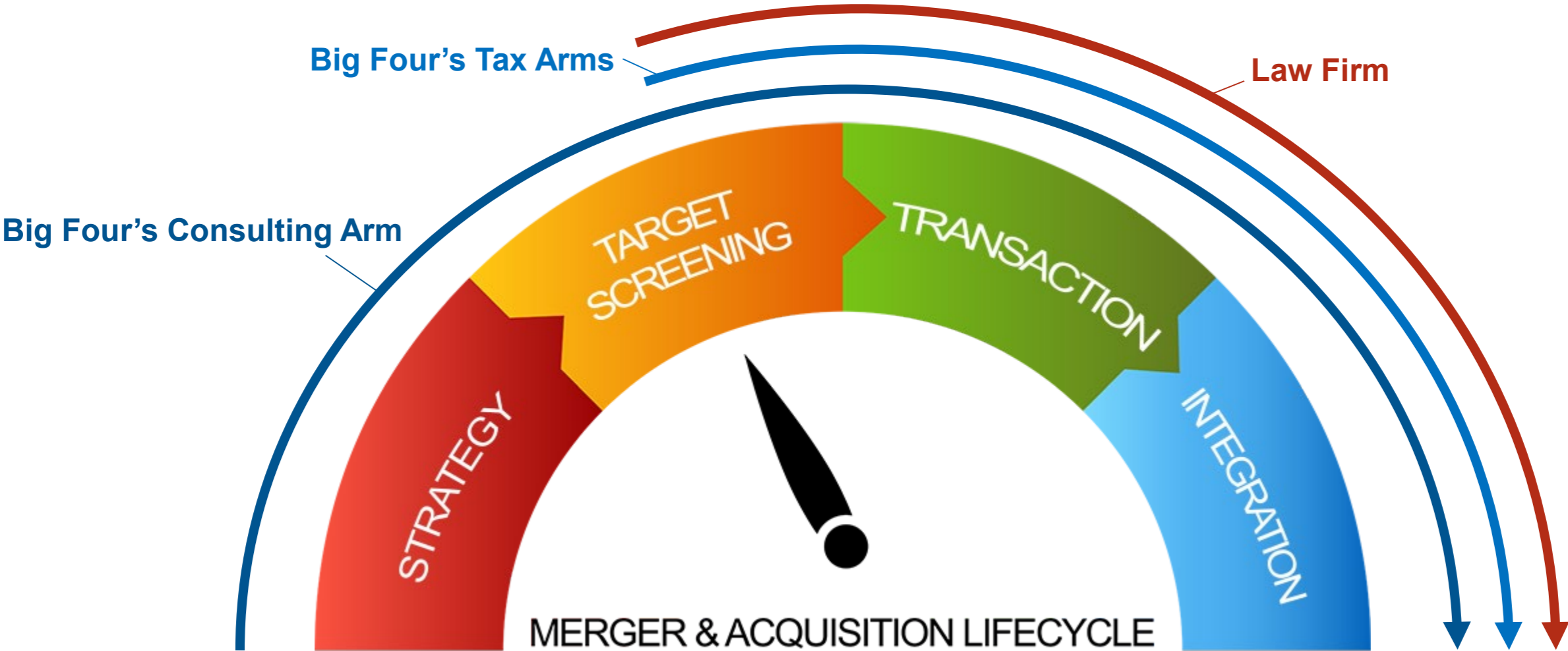
Expand into “managed legal services” areas which are currently targeted by ASPs

The Big Four's existing strengths in consulting and accounting will be a major asset in their expansion into the legal industry

How KPMG describes their legal service offering



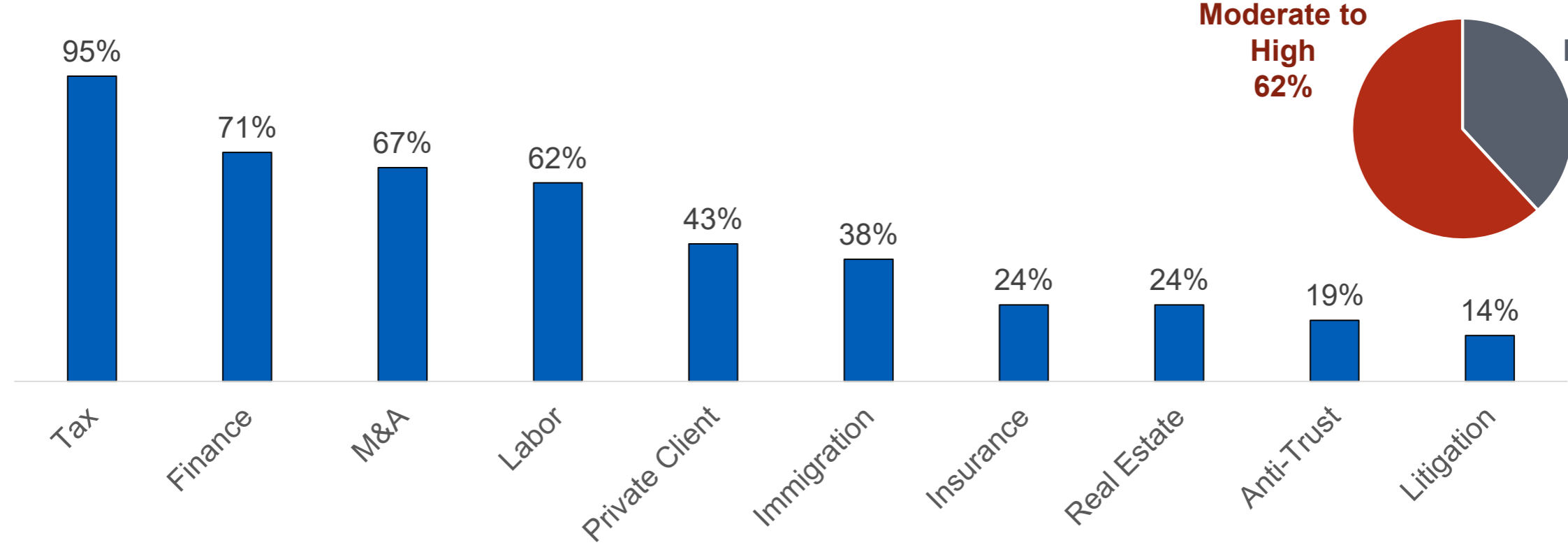
The lifecycle of a “routine” acquisition provides insight into the type of services the Big Four could target with this strategy



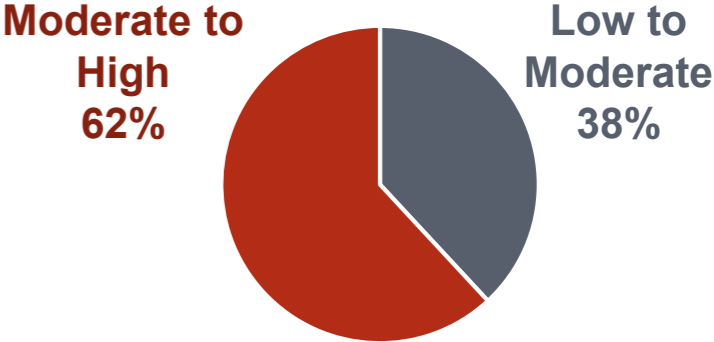
Expansion into services adjacent to their existing strengths will bring the Big Four into direct competition with law firms

The areas firm leaders believe the Big Four are best positioned to win market share

Percentage of respondents to ALM Intelligence's Big Four survey



What value of work are accounting companies best positioned to win work in?



The Big Four's expansion in the legal market is likely to be driven by two separate – but linked - strategies



Expand into legal “advice” services adjacent to existing strengths in audit and consulting

Expand into “managed legal services” areas which are currently targeted by ASPs

Over the past decade a raft of new providers have enter the market

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IBM[®]

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Delivering Business Impact.

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Relativity[®]

the answer company[™]
THOMSON REUTERS[®]

epiq

Consilio[®]

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Everlaw

LOD

Wolters Kluwer

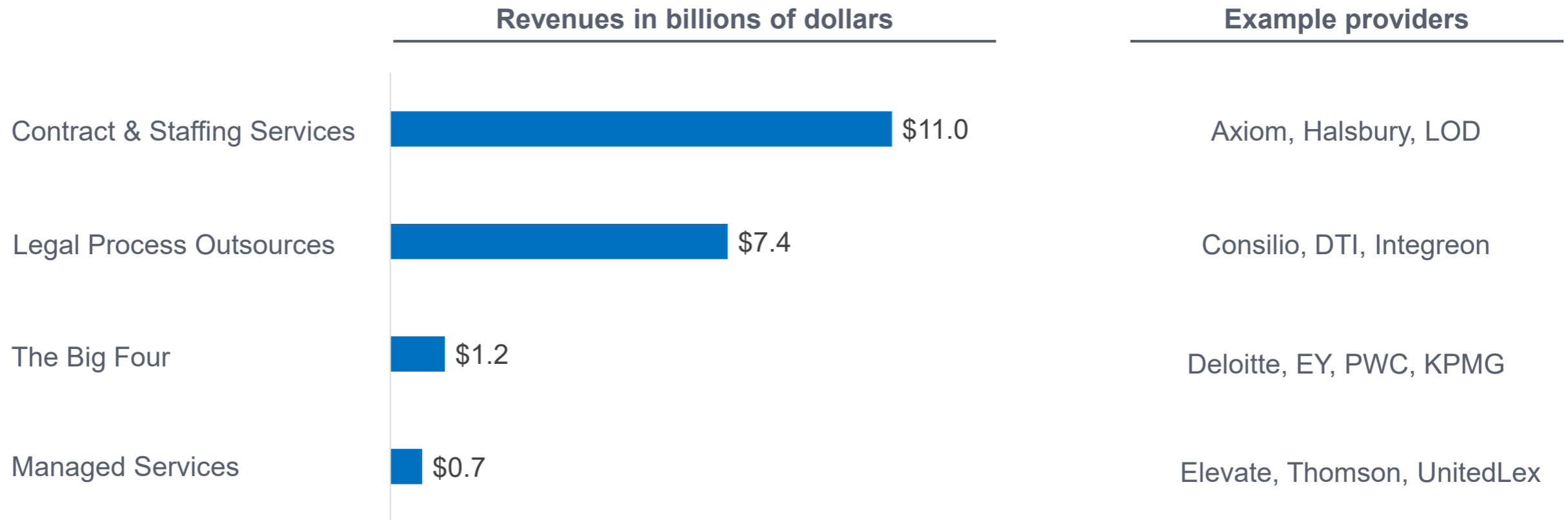
DiscoverReady[®]

axiom

The ASP market has evolved significantly

The alternative legal services market

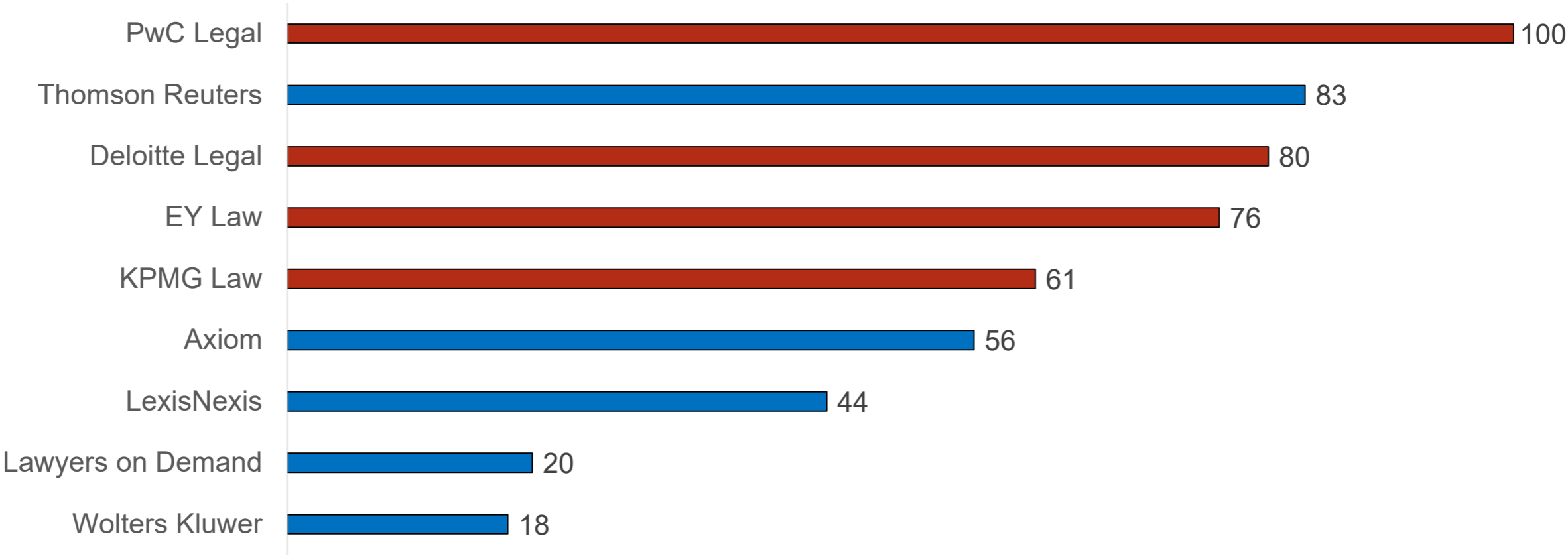
Estimated market size and major providers



The power of brand should not be underestimated - the Big Four's status as a "safe pair of hands" will be important in the ASP market

Acrtias Global Alternative Legal Brand Index

2018 Index Scores



“ The Big Four have shown an **insatiable appetite for growth** over the past three decades. They appear to be working off a strategy that is based on the philosophy that **they exist to meet most of a client’s professional service needs. This vision has always included legal services.** ”

From Elephants in the Room: The Big 4’s Expansion in the Legal Services Market, ALM Intelligence

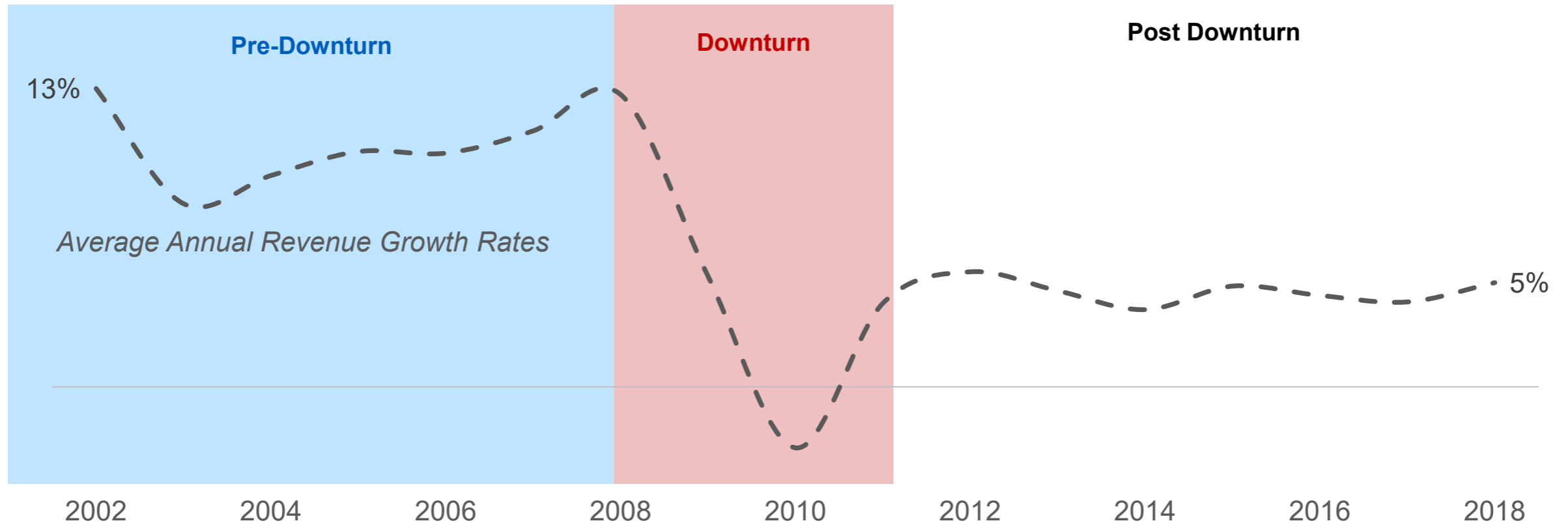
The Bigger Picture

How the Big Four Fit Into Broader Legal Market Trends

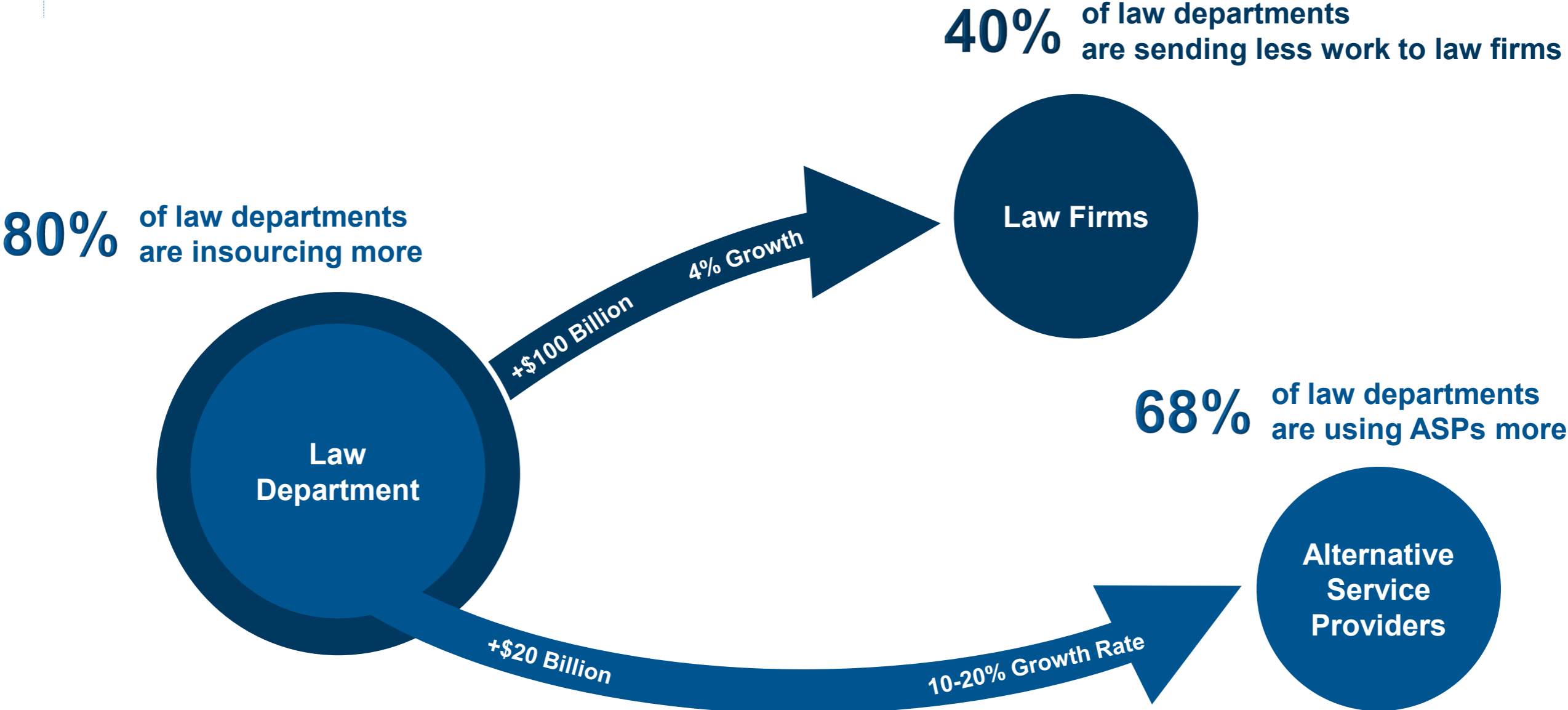
Law firm's growth has slowed dramatically – and there is little sign of a return to pre-downturn levels

Average annual revenue growth rates

For Am Law 200 firms



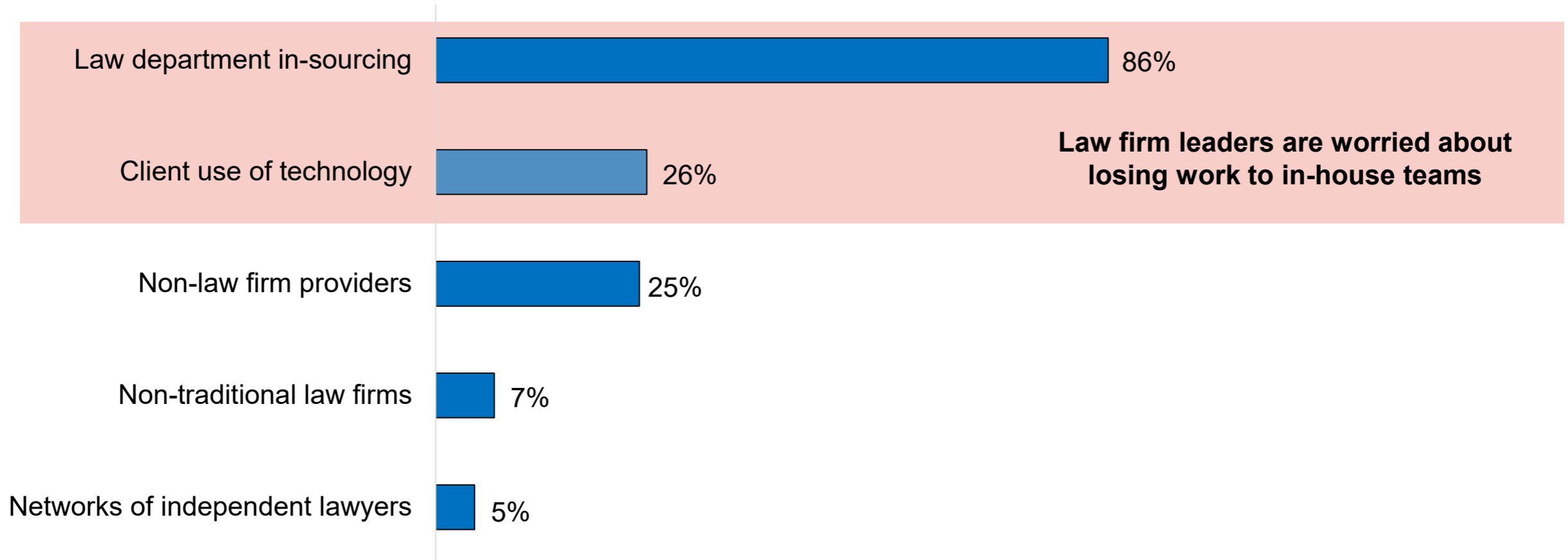
Changes in clients' approach to managing legal services have played a disruptive role



While the emergence of new competitors has created difficulties for law firms, the biggest disrupter has been insourcing

Is your firm losing any business to other providers of legal services?

Percent responding "taking work from us now"

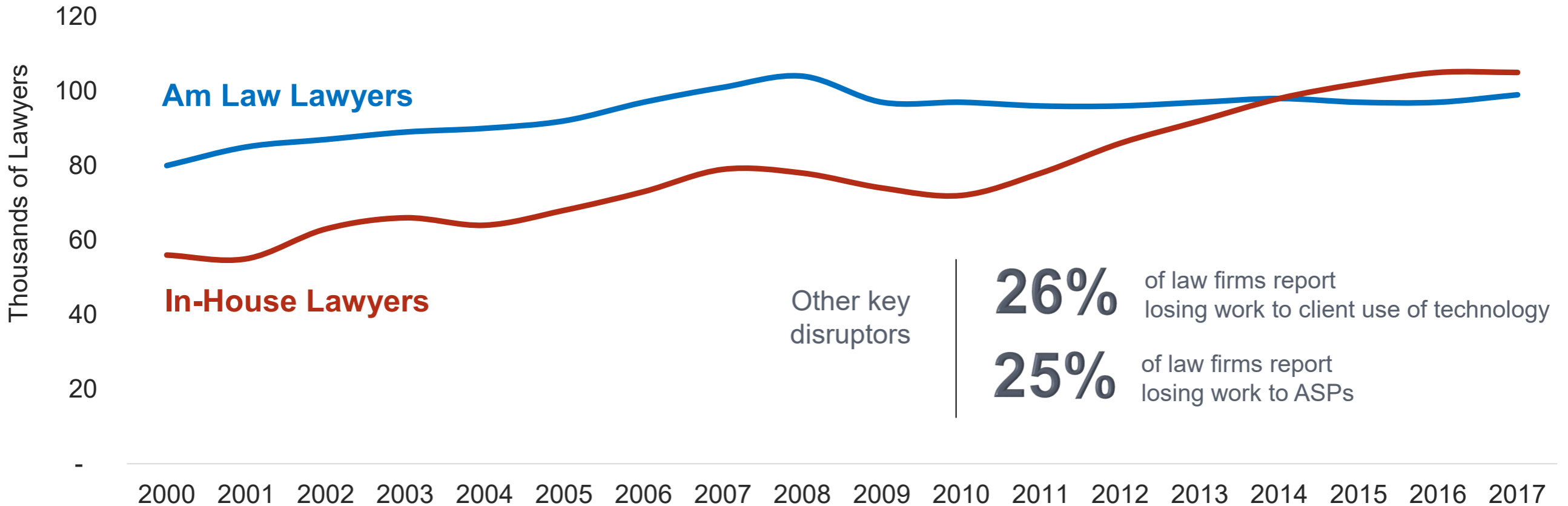


Head count trends at law firms and law departments suggest a significant shift has occurred

Growth in lawyers

In-house lawyers vs. Am Law 200 lawyers

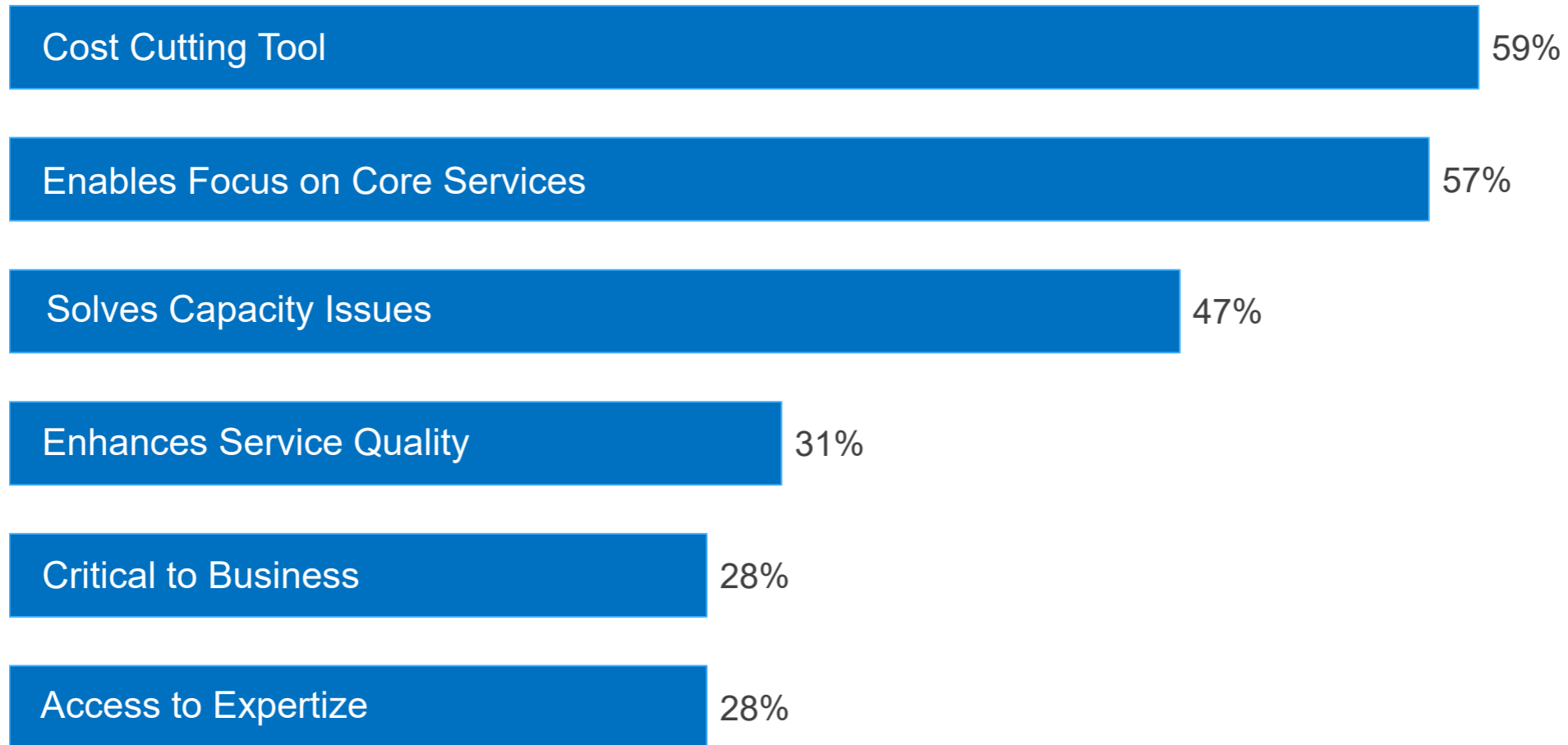
81% of law firms report losing work to in-house teams



Why do businesses outsource?

Motivations for Outsourcing for the Fortune 500

% of respondents

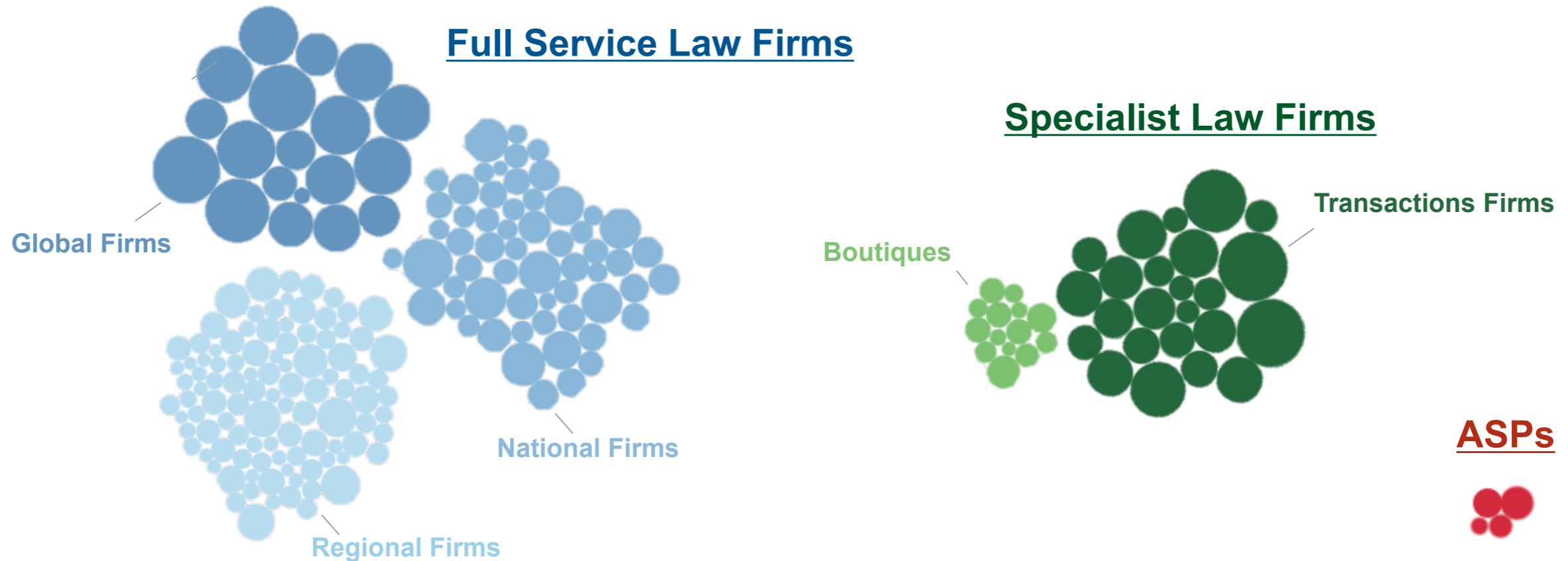




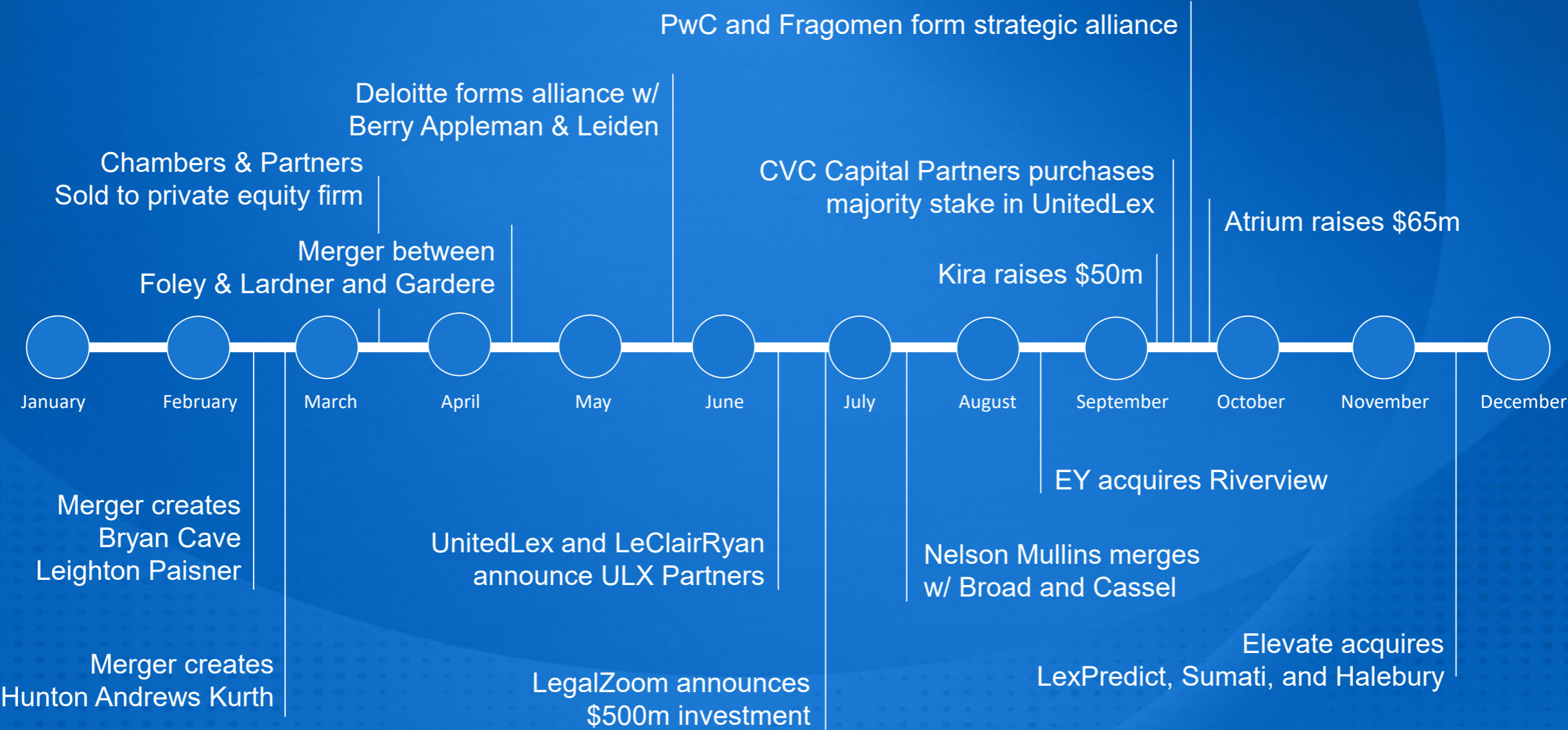
Lack of options in the legal services provider landscape has lead law departments to insource

Legal Service Provider Landscape

Share of service providers with over \$100 million in global revenue by type



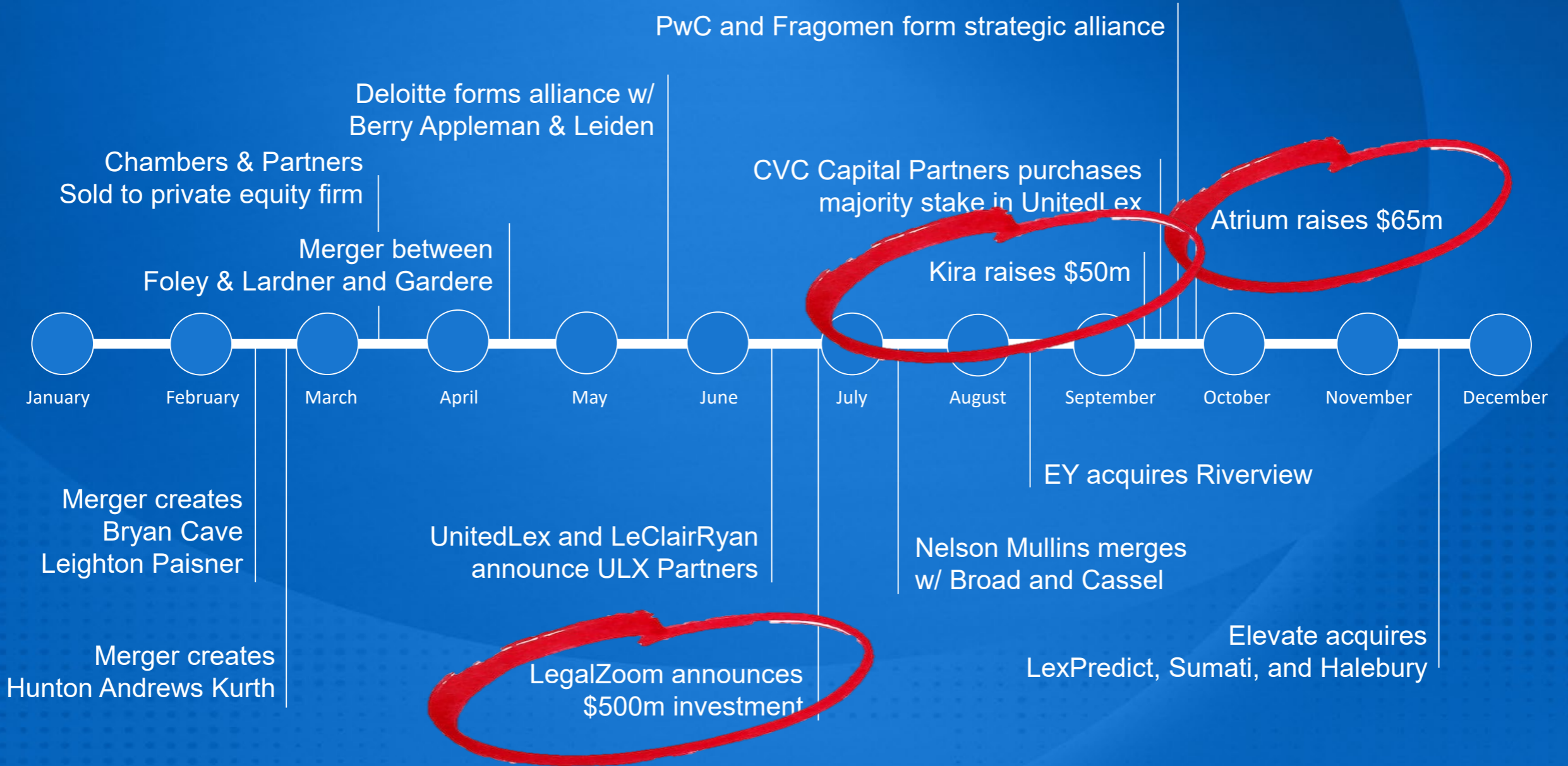
The evolution of the legal services provider market



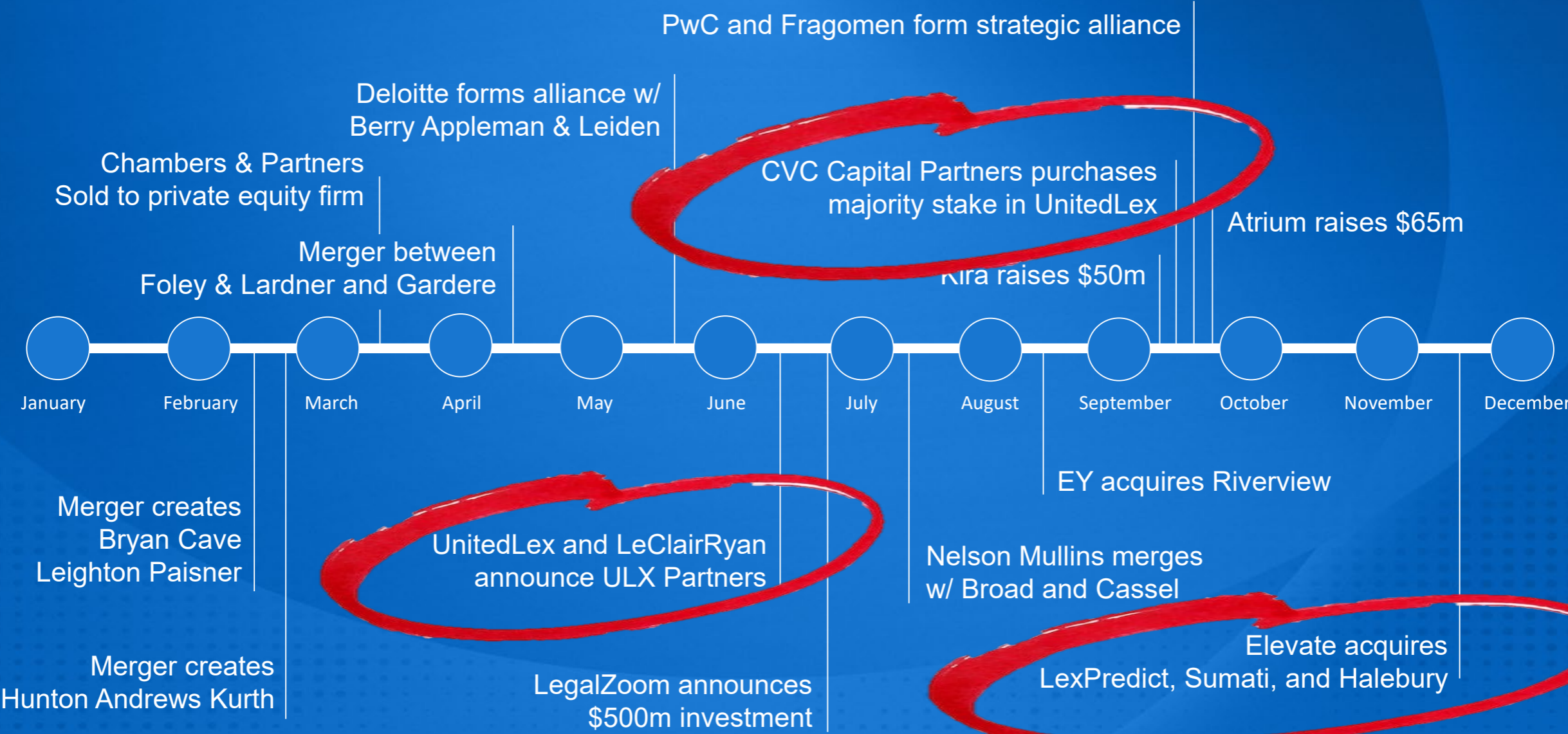
The evolution of the legal services provider market



The evolution of the legal services provider market



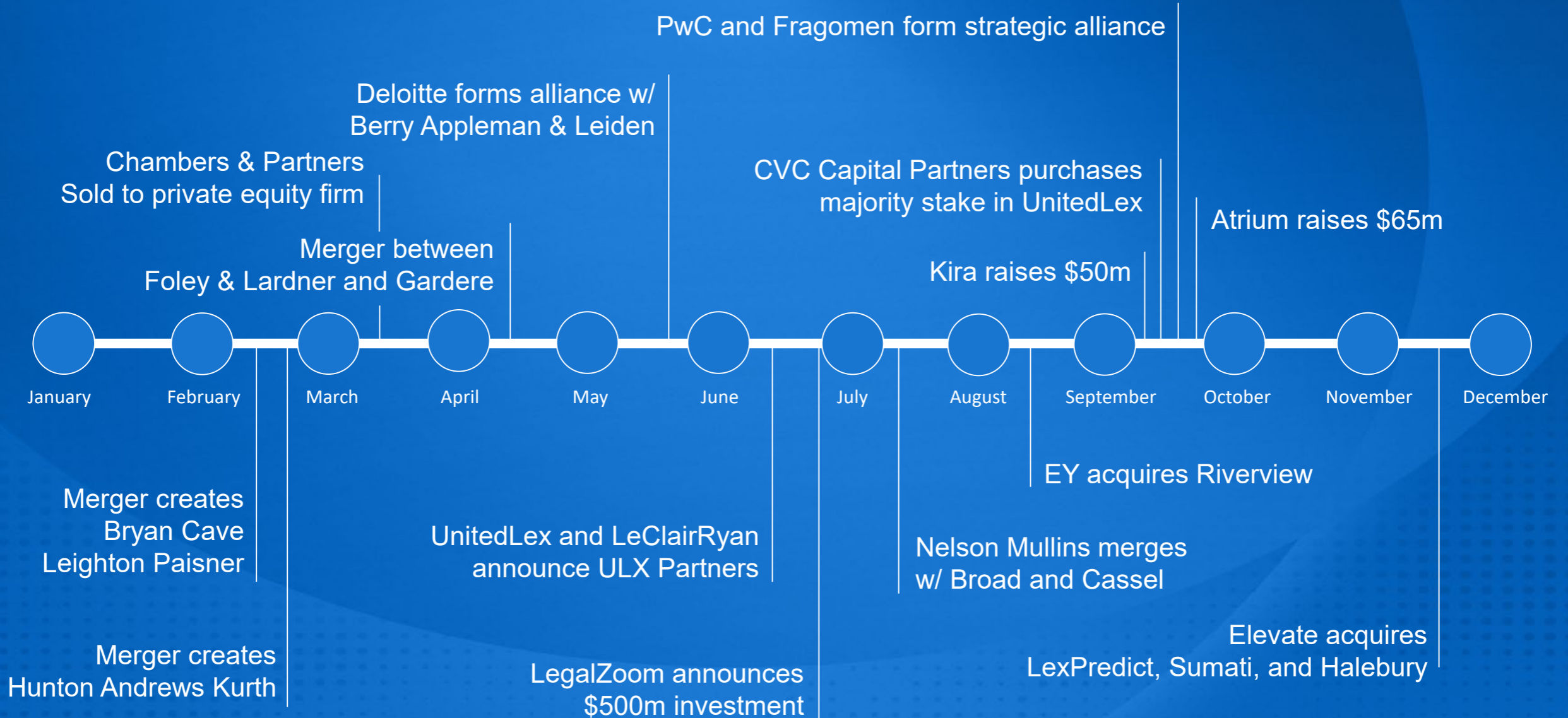
The evolution of the legal services provider market



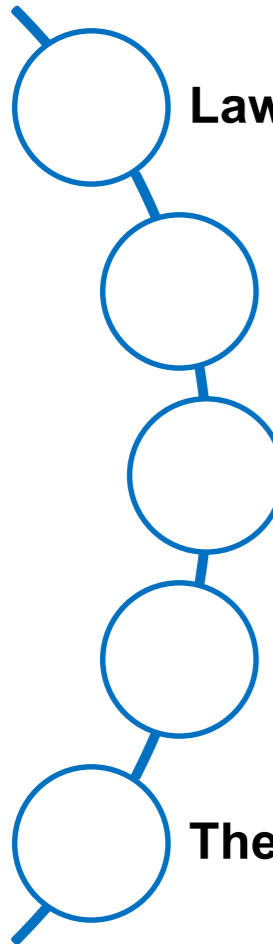
The evolution of the legal services provider market



The evolution of the legal services provider market



A few takeaways

- 
- Law firms' current challenges are being driven by changes in client buying patterns**
 - Insourcing has played a disruptive force – it is unlikely to continue**
 - The evolution of the legal services market will give clients new options**
 - The Big Four's expansion will accelerate change**
 - The law firm market will not look the same in 2030**

THANK YOU

Nicholas Bruch, Director, Legal Market Intelligence

617-866-0229 | nbruch@alm.com