

FINAL

March 2010

Issued by Mattison Public Relations on behalf of Sweet & Maxwell

Research suggests 2010 is likely to witness a spike in mergers and team hires amongst top law firms

- 20% looking to expand overseas

2010 could be an ambitious year for mergers and team hires amongst top law firms, reveals the fourth annual research carried out amongst Finance Directors of the Top 100 law firms by Sweet & Maxwell, the leading legal information provider. (**Full results below**). Sweet & Maxwell is part of Thomson Reuters.

In a bid to improve profitability, 40% of law firms say they are planning to make lateral hires of senior teams from competitors. This is in stark contrast to an austere 2009 when many top law and professional services firms implemented draconian cuts and recruitment freezes. Sweet & Maxwell's research suggests a rapid recovery in fortunes could be on its way.

Only one area of legal work is expected to contract substantially in 2010 – the public sector. Growth is expected in most other categories, with the fastest increase expected from restructuring/insolvency, commercial litigation and fraud.

Law firms are more likely to expand overseas than expand into new sectors, with 20% saying that overseas expansion is likely. The level of this ambition suggests an upbeat outlook for 2010.

Sweet & Maxwell's research also suggests there could be a flurry of merger activity, with 10% of Finance Directors citing a merger as likely.

There is also cause for more optimism amongst support staff working within major firms, with only 20% planning to cut budgets of support functions. This suggests that redundancies are no longer viewed as a key strategy for improving profitability.

Sweet & Maxwell says that a number of leading firms felt that they had reduced their staffing levels to the point where they were as lean an organisation as possible. Redundancy has a very negative impact on staff morale, many of whom will have felt significant job insecurity over the last eighteen months.

Finance Directors remain very conscious of the economic environment and pressure on costs, with 43% unlikely to increase the firm's charge out rates this year. Although law firms have also historically been subject to slow payment by clients during a downturn, 77% of Finance Directors are likely to implement tighter credit control throughout 2010 to safeguard their firm's profitability.

Increased cross-selling was the measure the most often mentioned by FDs as part of their plans to improve profitability. This involves selling additional legal services to a client already using the firm in one or more practice areas. For example, offering regulatory services to a client already using the firm for M&A.

Over the next year how likely are you to take the following steps in order to improve profitability?

	Likely	Possible	Unlikely
1. Increase cross-selling	80%	20%	0%
2. Tighter credit control	77%	10%	13%
3. Lateral hires of senior teams	40%	50%	10%
4. Cut unprofitable services	33%	53%	13%
5. Expand overseas	20%	20%	60%
6. Expand service lines	13%	50%	37%
7. Merger	10%	37%	53%
8. Use outsourcing or shared services	13%	53%	33%
9. Cut budgets of support functions	20%	43%	37%
10. Increase charge out rates	27%	30%	43%
11. Expand into new sectors	10%	40%	50%
12. Redundancies	7%	47%	47%

Key areas of legal work growth in 2010

Sweet & Maxwell also asked Finance Directors of top law firms which areas of legal work they expected to grow in 2010.

- 90% of Finance Directors expect fast or moderate growth within Restructuring and Insolvency. Sweet & Maxwell suggest that this projected increase could be attributed to greater complexity within the debt holder markets. Traditionally these debts will have been syndicated to a wider circle of debt holders, yet in a recession there is a reduced market for these assets.
- 93% of Finance Directors expect moderate or fast growth in Employment work. Sweet & Maxwell says that the downturn has resulted in widespread redundancies in all sectors and in positions at all levels. Employees who are not fully satisfied

with any settlements and are still out of work are more likely to pursue claims against previous employers.

- Fraud and other white collar crime is also predicted to surge according to the survey results. 87% of Finance Directors say they expect fast or moderate growth from these areas. The number of fraud incidents tends to increase in a downturn when the delayed effects of the recession start to bite.
- Another area of predicted growth is Commercial Litigation & Dispute Resolution, with 90% of Finance Directors predicting fast or moderate growth within this sector. With London established as one of the few global banking centres, many of the financial instruments issued around the world such as bonds and derivatives contracts are written under English law so they are more likely to end up in the UK courts.
- None of the Finance Directors surveyed expect fast growth in corporate finance and M&A. But 92% of Finance Directors expect fast or moderate growth in Regulatory Work – in line with increased FSA clampdowns on financial mismanagement.

Over the next year how do you expect the following areas of legal work to perform?

	Fast growth	Moderate growth	No growth	Contraction
1. Restructuring / Insolvency	38%	52%	10%	0%
2. Commercial Litigation / Dispute Resolution	24%	66%	10%	0%
3. Fraud & other white collar crimes	22%	65%	13%	0%
4. Regulatory Work	18%	75%	7%	0%
5. Employment	10%	83%	7%	0%
6. Energy	21%	50%	29%	0%
7. Professional Negligence	11%	52%	37%	0%
8. Intellectual Property	4%	57%	39%	0%
9. Corporate Finance / M&A	0%	48%	52%	0%
10. Commercial Property	0%	52%	45%	3%
11. Construction	4%	46%	50%	0%
12. Projects / PFI	4%	50%	42%	4%
13. Tax	0%	52%	48%	0%
14. Private Client	9%	33%	50%	8%
15. Media	5%	45%	41%	9%
16. Personal Injury	0%	36%	64%	0%
17. Public Sector	4%	42%	27%	27%

ENDS

Notes to Editors:

Sweet & Maxwell (www.sweetandmaxwell.co.uk) is a leading provider of information and solutions to the legal and professional markets in the UK and Ireland. With over 200 years of history and heritage in legal publishing, Sweet & Maxwell offers detailed and specialist knowledge, understanding, interpretation and commentary across a wide range of subjects in a variety of formats to meet customers' needs - books, journals, periodicals, looseleafs, CD-ROMs and the market leading online services, Lawtel and Westlaw UK. Sweet & Maxwell is part of Thomson Reuters.

Thomson Reuters is the world's leading source of intelligent information for businesses and professionals. We combine industry expertise with innovative technology to deliver critical information to leading decision makers in the financial, legal, tax and accounting, scientific, healthcare and media markets, powered by the world's most trusted news organization. With headquarters in New York and major operations in London and Eagan, Minnesota, Thomson Reuters employs more than 50,000 people in 93 countries. For more information, go to www.thomsonreuters.com.

Press enquiries:

Nick Croysdill or Nick Mattison
Mattison Public Relations
Tel: 020 7645 3636

Peter Wylie
Corporate Communications Manager
Sweet & Maxwell
Tel: 020 7393 7123