

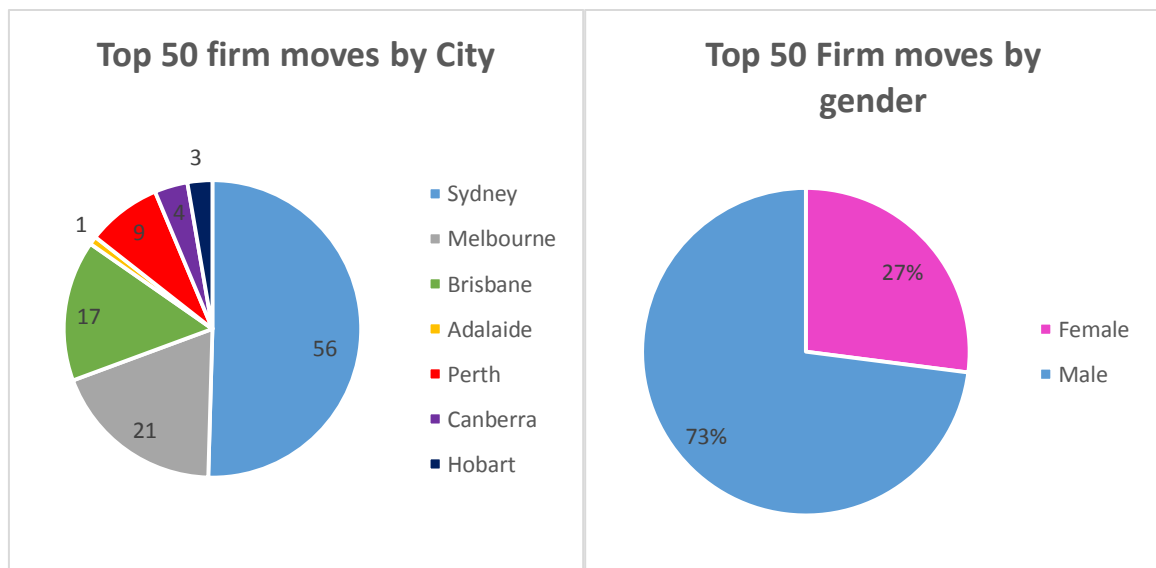
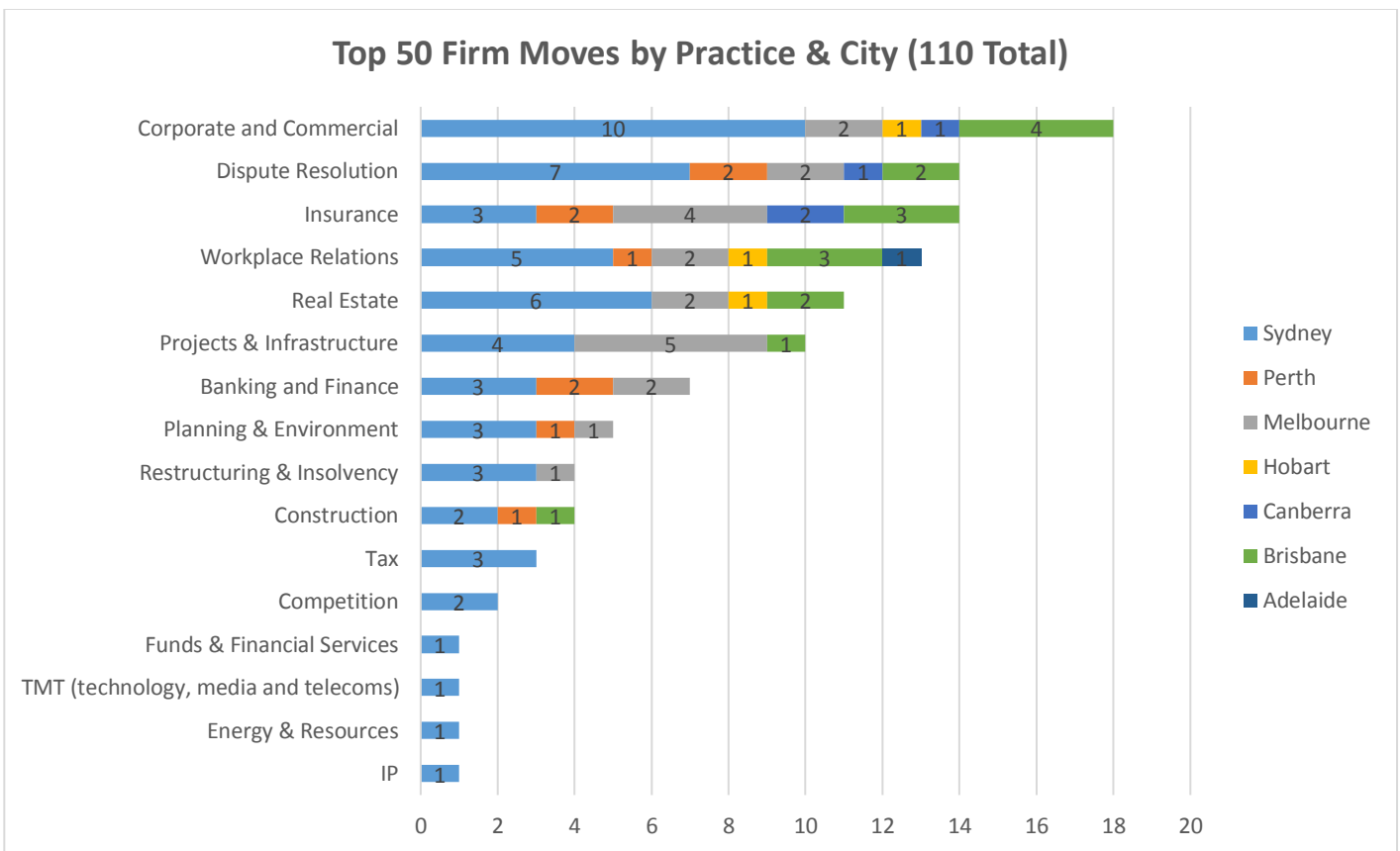
2016 Australian Lateral Partner Movement Analysis

Throughout 2016 Carlyle Kingswood undertook detailed analysis of lateral Partner movement within the top 50 Firms (including both national and international firms) in Australia. Having now validated and analysed the data there are a number of standout figures and trends that we have identified.

To give some perspective of the size, structure, and geographical layout of the Australian top 50 law firm market, as of April 2017 there are 3205 Partners. 1152 within the International Firms (860 Male / 292 Female), and 2053 within the Domestic Firms (1540 Male / 513 Female).

The Macro Numbers

In 2016, there were 110 Partner moves between the top 50 firms. Those movements by city, practice area and gender are expressed in the following graphs.



Sydney dominates the movement trail accounting for just over 50% of partner movement. This represented 3.9% of the Sydney market. Melbourne did have the 2nd highest number of movers, however out of the “big 4” cities, it had the lowest movement as a percentage of the overall market in that city, just 2.2%.

Female Partners make up 26.6% of the top 50 Firms, therefore with 27% of these movements being female partners, what we saw in 2016 is in-keeping with that proportion of the market.

Based upon our experience and anecdotal evidence, when averaged out across the market the revenue base that is purported to move with an individual Partner is circa \$1.25M. On that basis, we estimate that circa \$137M worth of legal revenue changed firms in the 2016 calendar year.

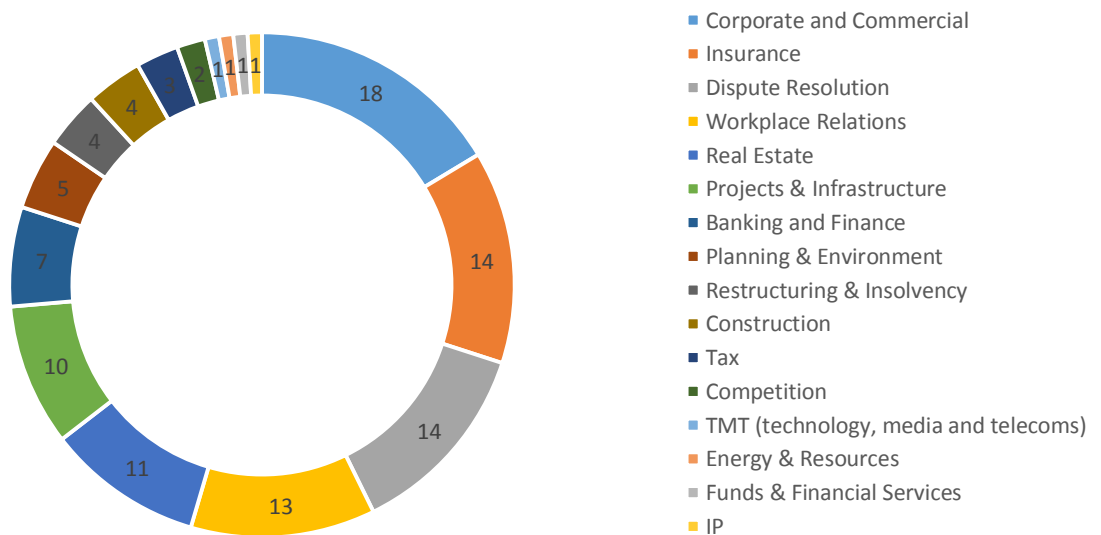
Proportion of the Practice Market

Given that Corporate & Commercial and Dispute Resolution are the two largest practice areas in the country, it is not surprising that they are also the areas with the most movement. What is interesting however is that Insurance was tied 2nd place with Dispute Resolution.

Projects & Infrastructure, Restructuring & Insolvency, Workplace Relations, Insurance, and Planning & Environment were the top 5 areas of movement relative to their market size. 6%, 5.8%, 5.3%, 4.8%, and 4.6% respectively. This could indicate a continued structural market change within these practice areas, and redeployment to firms with more of a focus on these areas and/or alignment to client expectations with respect to fees.

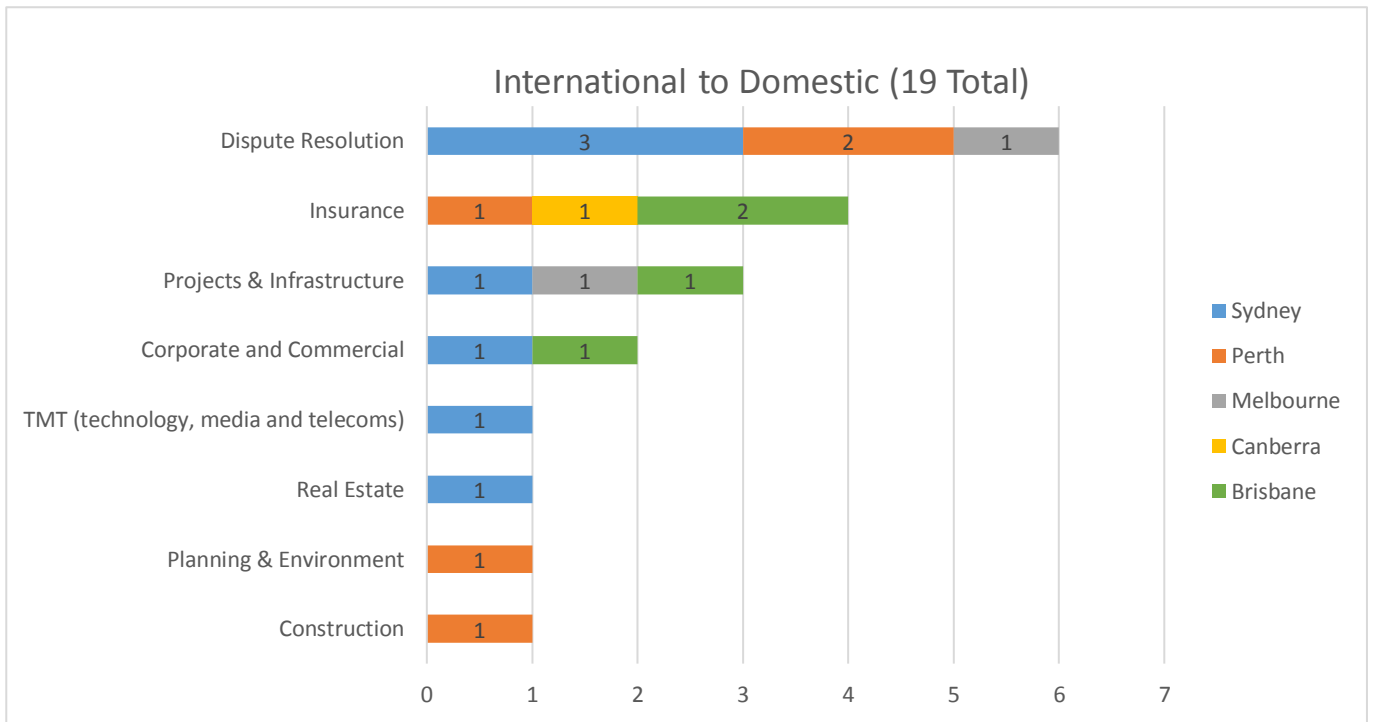
It is also worth noting that the top 4 areas of movement accounted for more than the remaining 12 put together.

Top 50 Firm Partner moves by Practice Area



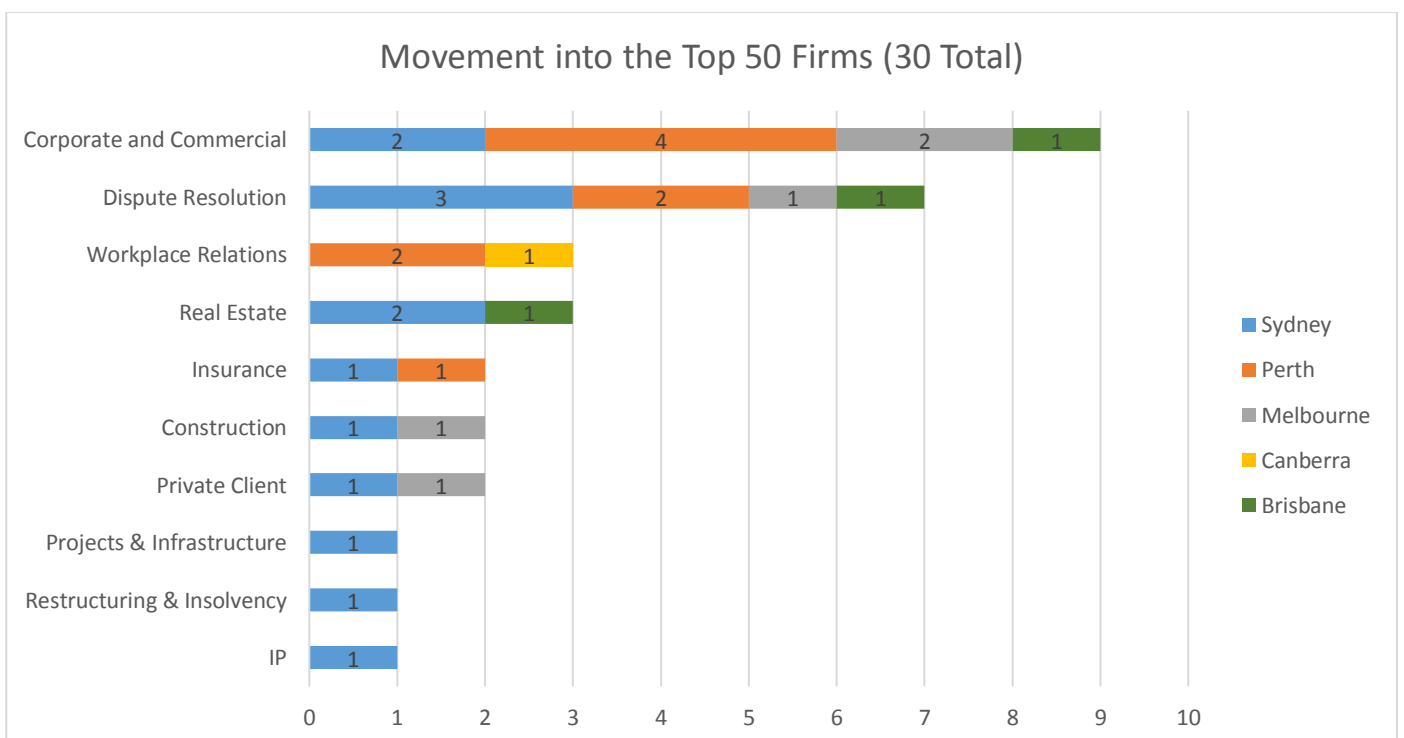
International to Domestic

Looking a little deeper into the data, the increasingly differing roles played by the international and domestic firms also played its part in the movement around the market with 19 Partners choosing to move their practices to a domestic platform from International. More than 50% of this group practice within Dispute Resolution and Insurance. This may go some way to explain a wider trend of structural and cost realignment in certain practice areas, in this case particularly so within the insurance market of which 88% practice within the domestic firms.



Movement into the Top 50 Firms

Another trend we felt stood out was that of the number of Partners moving into the top 50 firms (I.E. joining from a boutique or equivalent). The 30 Partners who moved into the top 50 was more than double (13) of that leaving the top 50. Out of this group of 30, the lion's share (27) joined domestic firms.



Conclusion and 2017 forecast

The Australian market has seen a dramatic change in landscape over the past 5 years in particular, something we do not see slowing down, and from working with Partners in every corner of the market, it is absolutely clear to us that strategy, financial hygiene, and playing to the strengths of the firm are separating the winners from the losers in each segment of the market.

Within the international market, the Australian office(s) are increasingly needing to play a more prevalent role within their wider international platform, thus creating more regional practice groups than remaining domestic. This is further exacerbated by the more recent position of the Australian Dollar to Sterling or USD within UK or US headquartered firms that are financially integrated.

The domestic national firm market remains extremely competitive. They are in some practice areas competing with both the international firms as well as boutiques, however two factors above all others appear to be separating the fastest growing platforms from the pack - strategy (playing to their strengths) and financial hygiene (profitable revenue) within the partnership.

Over the course of the year we will be discussing more trends that we are seeing at play within the market, including internal and lateral partnership promotions, the growing market share and roll played within the accounting firms, and the catalyst drivers behind what makes Partners move firms.

If you would like to discuss any of the above information in more detail, or indeed in relation to your firm, please call any of the team members at Carlyle Kingswood.