

Media Release

NZ law firms expecting revenue to grow over the next financial year

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The annual ALPMA / Crowe Horwath benchmarking survey of NZ law firms shows the sector is expecting an average of 5 per cent growth in the next financial year - building on gross profit margins* that currently average nearly 75 per cent.

The 10 best performers average \$1,230,938 per partner in revenue, down from \$1,308,000 in 2016, while the *average* revenue generated per partner is \$786,997, showing a decrease of 2 per cent from the 2016 survey.

The survey, conducted by the Australasian Legal Practice Management Association (ALPMA) and business advisory and accounting firm Crowe Horwath, benchmarks the financial performance of New Zealand law firms. The first survey was conducted in 2015, making 2017 the third annual survey.

Just over half (53 per cent) of the firms surveyed expect revenue growth in the coming financial year compared with 74 per cent for firms last year.

“It’s pleasing to see the sector is still anticipating growth in revenue going forward, however it’s a concern that their optimism isn’t what it was in 2016”, Crowe Horwath Business Advisory Partner, Michelle Malcolm comments. “This could be because of the change in Government creating uncertainty, as 36% of respondents have cited ‘general economy and regulatory change’ as a risk and threat in the coming year”, she says.

“It is clear that the outlook for growth remains high, with operating margins of more than 33 per cent which is great news for the legal sector,” ALPMA NZ Chair and General Manager at Lowndes Jordan, Ms Sheryll Carey says.

“With majority of respondents citing ‘team efficiency and culture’ as their key focus area for next year, it’s important firms have the right processes and people in place to ensure these areas are scrutinised and managed carefully,” Ms Carey comments.

Results from the 2017 Financial Performance Benchmarking Survey of New Zealand include:

- Fixed fee billing structure almost doubled from 12 per cent to 23 per cent and hourly rate billing dropped by 8 per cent.
- Earnings before interest and taxes average \$356,488 per equity partner, down from \$369,000 in 2016.
- The 10 best performers have average earnings of \$635,381 per partner (\$659,000 per partner in 2016).
- The median work in progress (WIP) and debtor-days lockup is 88 days consisting of:
 - WIP days of 34
 - debtors days of 54
- The average revenue generated per fee earner is \$344,057 compared with \$368,206 in 2016.
- The 10 best performers average \$1,230,938 per partner in revenue and the bottom 10 average \$444,222 per partner.
- Average gross margins* are 75 per cent and average net operating profits* 33 per cent.

To download the report go to alpma.com.au

Thirty eight firms representing a strong cross-section of the NZ legal industry participated in the research this year. As well as receiving their own bespoke financial health check, the participating firms gain complimentary access to Open Measures, a proprietary Crowe Horwath online tool to benchmark their firm's performance against like firms.

"Open Measures gives the leaders of law firms the ability to easily assess their own firm's performance against their peers," Michelle Malcolm.

In Open Measures (www.openmeasures.com) any firm can easily assess and review its performance against similar firms across an organisation, over any time period. Visual score cards easily assess, track, rank and evaluate the performance of firms, franchises and divisions within an organisation or branches of a business.

Note:

*The gross profit margin is the margin after direct costs, predominantly fee earner salaries, have been deducted. Net operating profit is the profit available to partners before interest and taxes are paid.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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About ALPMA

The [Australasian Legal Practice Management Association](#), (ALPMA), is the peak body representing law firm managers and leaders. ALPMA provides an authoritative voice on issues relevant to legal practice management. ALPMA delivers a comprehensive professional development program for members, which includes the annual [ALPMA Summit](#), regular [practice management seminars](#) across Australia and New Zealand, the [Leading Your Firm program](#), to meet the professional development needs of law firm leaders at smaller and regional law firms, online [resources](#) and a legal industry [research program](#).

About Crowe Horwath

Crowe Horwath New Zealand is the largest provider of practical accounting, audit, tax and business advice to individuals and small and medium businesses from a comprehensive network of 25 offices. Crowe Horwath is part of a global accounting network that delivers high quality audit, tax and advisory services in over 100 countries. We are the relationship that you can count on - large enough to offer a range of expertise and skills - and small enough to provide the personal touch.



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