

## Summary 2009 Financial Results of 67 Top Firms Reporting as of March 1, 2010

Fifty-two Am Law 100 firms (based on 2009 rankings by 2008 gross revenue performance) and 15 Am Law 200 firms had reported their FY 2009 financial results as of March 1, 2010. On average, the 52 Am Law 100 firms reporting experienced a drop of 0.8 percent in profits per equity partner ("PPEP") and a 3.8 percent decrease in gross revenues ("GR") compared to 2008; strikingly, the 15 firms in the second hundred experienced a 9.8 percent increase in PPEP and 2.3 percent increase in GR.

Firm Name	PPEP 2009	PPEP 2009 vs. 2008	2007-2009 PPEP CAGR*	GR 2009	GR 2009 vs. 2008
Arnold & Porter	\$1,010,000	11.0%	5.35%	\$524,000,000	2.1%
Baker & McKenzie	\$992,000	-17.7%	-3.35%	\$2,110,000,000	-3.6%
Barnes & Thornburg	\$640,614	10.5%	7.92%	\$241,583,000	13.7%
Bingham McCutchen	\$1,450,000	2.1%	4.23%	\$860,000,000	12.1%
Bracewell & Giuliani	\$950,000	10.2%	13.30%	\$277,100,000	0.6%
Bryan Cave	\$622,579	-5.7%	-5.01%	\$554,817,000	10.4%
Buchanan Ingersoll & Rooney	\$593,250	5.0%	-10.46%	\$264,810,000	-3.0%
Cadwalader, Wickersham & Taft	\$2,410,000	27.9%	-5.27%	\$456,500,000	-9.8%
Cahill Gordon & Reindel	\$2,500,000	19.0%	-1.85%	\$269,500,000	9.1%
Cooley Godward Kronish	\$1,174,800	-11.0%	-9.02%	\$507,000,000	-8.2%
Covington & Burling	\$1,200,000	-7.7%	1.06%	\$583,000,000	9.8%
Crowell & Moring	\$1,098,000	9.8%	15.75%	\$339,000,000	14.5%
Curtis, Mallet-Prevost, Colt & Mosle	\$1,142,000	23.5%	11.41%	\$135,000,000	21.6%
Debevoise & Plimpton	\$1,870,000	-16.0%	-9.81%	\$667,900,000	-12.2%
Dechert	\$1,960,000	-8.6%	-7.67%	\$713,000,000	-12.6%
Dewey & LeBoeuf	\$1,602,700	3.4%	1.04%	\$913,876,000	-11.3%
Dickstein Shapiro	\$1,050,000	6.6%	2.21%	\$312,000,000	5.1%
DLA Piper US	\$1,230,250	-5.0%	0.46%	\$1,013,080,000	-14.0%
Dorsey & Whitney	\$613,984	-7.0%	-4.40%	\$341,917,000	-6.8%
Dykema Gossett	\$500,000	10.0%	5.41%	\$175,000,000	2.9%
Fenwick & West	\$995,000	0.0%	-0.99%	\$192,000,000	-2.0%
Finnegan, Henderson, Farabow, Garrett & Dunner	\$1,200,000	2.6%	7.94%	\$348,800,000	-2.8%
Fish & Richardson	\$1,340,000	17.0%	5.67%	\$417,000,000	4.6%

\* Compound Annual Growth Rate

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Firm Name	PPEP 2009	PPEP 2009 vs. 2008	2007-2009 PPEP CAGR*	GR 2009	GR 2009 vs. 2008
Foley Hoag	\$800,000	-4.8%	0.31%	\$146,000,000	-5.2%
Gibson, Dunn & Crutcher	\$1,905,000	1.6%	0.13%	\$995,000,000	4.0%
Goodwin Procter	\$1,270,000	-2.9%	-9.07%	\$658,000,000	-4.7%
Greenberg Traurig	\$1,311,000	0.1%	0.67%	\$1,170,000,000	-2.8%
Hogan & Hartson	\$1,110,000	-4.7%	-3.42%	\$864,500,000	-6.3%
Howrey	\$846,053	-34.9%	-8.25%	\$480,000,000	-16.3%
Irell & Manella	\$2,490,000	27.0%	14.33%	\$253,000,000	9.5%
Jenner & Block	\$1,100,000	31.7%	18.73%	\$367,000,000	5.8%
K&L Gates	\$861,000	0.7%	3.80%	\$1,034,000,000	7.8%
Kirkland & Ellis	\$2,495,000	1.1%	-1.08%	\$1,428,000,000	2.0%
Latham & Watkins	\$1,902,000	5.4%	-8.63%	\$1,821,000,000	-5.3%
Little Mendelson	\$435,000	0.0%	1.49%	\$371,700,000	5.0%
Mayer Brown	\$1,060,000	-4.5%	-12.53%	\$1,118,000,000	-13.6%
McGuireWoods	\$801,028	6.2%	3.69%	\$509,000,000	6.7%
Miller, Canfield, Paddock & Stone	\$410,000	0.0%	0.00%	\$143,000,000	-2.1%
Morgan, Lewis & Bockius	\$1,232,500	-15.0%	-7.16%	\$1,070,000,000	-4.5%
Morrison & Foerster	\$1,140,000	3.6%	-5.05%	\$884,000,000	-3.0%
Munger, Tolles & Olson	\$1,260,000	-4.5%	-2.48%	\$198,000,000	-4.3%
O'Melveny & Myers	\$1,470,000	-4.2%	-5.18%	\$826,600,000	-8.9%
Orrick, Herrington & Sutcliffe	\$1,354,450	3.0%	-9.79%	\$835,000,000	0.0%
Patton Boggs	\$840,000	3.7%	2.15%	\$332,000,000	-4.9%
Paul, Hastings, Janofsky & Walker	\$1,870,000	-1.6%	-1.31%	\$889,000,000	-9.8%
Paul, Weiss, Rifkind, Wharton & Garrison	\$2,690,000	1.3%	1.90%	\$665,500,000	-3.8%
Perkins Coie	\$802,111	-0.4%	3.42%	\$433,000,000	2.1%
Pillsbury Winthrop Shaw Pittman	\$950,000	-2.6%	-1.79%	\$535,680,000	-7.0%
Quinn Emanuel Urquhart Oliver & Hedges	\$3,100,000	-6.1%	1.50%	\$420,000,000	-5.0%
Reed Smith	\$1,000,000	6.4%	0.00%	\$942,000,000	-3.8%
Schiff Hardin	\$751,658	0.2%	1.82%	\$224,000,000	-3.0%
Schulte Roth & Zabel	\$2,130,588	-7.0%	-5.06%	\$397,000,000	-5.5%
Sedgwick, Detert, Moran & Arnold	\$676,000	-2.0%	-4.42%	\$195,525,000	-1.0%
Shearman & Sterling	\$1,735,000	4.2%	-2.94%	\$801,000,000	-8.6%
Sheppard, Mullin, Richter & Hampton	\$1,244,000	3.7%	1.31%	\$361,000,000	2.6%
Sidley Austin	\$1,460,000	2.1%	4.89%	\$1,489,000,000	0.0%
Sonnenschein Nath & Rosenthal	\$780,000	-3.0%	-7.60%	\$472,500,000	-0.1%
Stephoe & Johnson	\$877,177	-3.0%	-3.91%	\$338,600,000	-5.0%
Townsend and Townsend and Crew	\$821,000	16.5%	5.33%	\$170,000,000	3.3%
Venable	\$785,000	1.9%	3.70%	\$350,000,000	0.3%
Vinson & Elkins	\$1,270,000	-2.3%	2.90%	\$561,000,000	-5.0%
White & Case	\$1,595,000	0.3%	-4.65%	\$1,300,000,000	-11.0%
Wiley Rein	\$965,000	1.6%	5.02%	\$200,000,000	1.0%
Willkie Farr & Gallagher	\$2,000,000	-5.4%	-5.37%	\$549,500,000	-5.8%
Wilmer Cutler Pickering Hale and Dorr	\$1,160,000	7.4%	4.38%	\$941,000,000	-1.5%
Wilson Sonsini Goodrich & Rosati	\$1,440,000	4.0%	0.09%	\$501,000,000	-5.8%
Winston & Strawn	\$1,283,000	-0.2%	-0.27%	\$707,750,000	-5.0%

\* Compound Annual Growth Rate

## The Story Behind the 2009 Numbers

Although still a small sample, we believe the results reported as of March 1 are noteworthy for several reasons:

- The results are substantially better than industry pundits were expecting as recently as the outset of the fourth quarter.
- The combination of the relatively soft drop in PPEP (0.8 percent compared to a 3.4 percent decrease in 2008 among these 52 firms) and a 3.8 percent drop in GR (compared to 5.4 percent in 2008), indicates that many of the firms managed to produce better-than-expected PPEP by cutting costs deeply, principally by reducing headcount. Notably, some firms are bringing on first-year associates whose start dates had been deferred earlier than expected.
- The strong performance of the 15 Am Law 200 firms that have reported so far suggests that the migration of legal work from higher billing rate- to lower billing rate-firms that began in 2008 continued in 2009. (These 15 Am Law 200 firms experienced a 9.8 percent increase in PPEP in 2009, in contrast to a decline in PPEP of 3.4 percent in 2008.) We believe this trend will be borne out when the balance of the Am Law 200 report, and will extend into 2010, but will taper off as the economy strengthens.
- The two-year (2007-2009) average compounded annual growth rate ("CAGR") for the 67 firms' PPEP was -0.9 percent.
- The 2007 to 2009 PPEP CAGRs for the 67 reporting firms indicate that Washington, D.C.-based firms in the group fared best in 2008 and 2009, followed by California and Midwestern firms.
- Inexorable pressure to grow the top line in the face of continued rate pressure already is prompting strong-performing firms to pursue lateral and group acquisitions as well as mergers in 2010 more aggressively than ever before. The market is entering a state of hyper-activity.
- The results reported to date indicate that, as in 2008, the historically widening profitability gap between the top-performing firms and the rest of the market narrowed for a second year. We believe this is a temporary phenomenon, and that the top firms will resume their pace-setting profitability trajectory as the economy strengthens.
- Market conditions are forcing firms that had two consecutive years of weak performance to take a fast and sharp knife to expenses, including continuing to counsel out chronically under-performing lawyers at all levels. Under-performing non-equity partners will continue to be at risk through 2010. Firms in the lateral market need to place greater emphasis on vetting laterals than ever before.
- Slow growth in 2010 market conditions is likely to result in still wider partner compensation ratios, continued variance in associate starting salaries, and more firms moving away from lockstep associate compensation.
- We believe the mid- and long-term economic outlook for the industry indicates that it is time for firms with lease terms that permit them to do so to consider re-evaluating their real estate strategy, moving to at least partial "hoteling" models, and moving support staff, including non-partner track attorneys, to less expensive locations.

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