



Legal services (LS)

Global Business Services Index 2026



Legal Services: Strong top-line momentum and modest gains in productivity helped offset muted profitability and cash flow performance

Legal services



Law firms providing services such as legal advice, document review, contract management, legal research, e-discovery, compliance support, and other legal tasks (usually LLPs and not publicly listed).

Sector performance summary

Legal services saw its GBSI score rise, primarily driven by growth dimension performance. Revenue expansion maintained its upward trajectory, driven mostly by pricing revisions rather than higher volumes. Bottom-line performance was more muted, however, as firms balanced steady client demand against a rising cost base, particularly around talent and technology.

The sector also saw marginal improvements in productivity as firms placed greater focus on workforce efficiency, though the payoff from heavier technology investment still remains largely ahead. Cash flow performance softened slightly, requiring firms to maintain their focus on working capital management.

Momentum drivers and pressure points

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Geopolitical and trade uncertainty

Sanctions, tariffs, and shifting trade policy are supporting client demand for regulatory and cross-border advice

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Selective budget allocation

Clients are becoming selective in allocating external legal spend, demanding justification for firm choice

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Private capital expansion

Private equity, sovereign wealth, and private credit activity are helping drive demand for funds, financing, and M&A advice

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Rising client expectations

Clients increasingly expect commercial judgment and visible value, not just legal expertise

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Premium, complexity-led mandates

High-stakes, complex mandates are supporting rate premiums as clients seek speed and strategic depth

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Rising talent & technology costs

Growing investment in talent and technology are increasing pressure on margins and cash flows



Sector experienced revenue growth, driven by rate increases, while margins remained largely stable



Legal services



Selective demand and sharper client choices to shape near-term growth

Strong rate growth and a favourable work mix supported firm economics in FY25, although performance continued to diverge across firms.

In 2026, tighter budget discipline may lead clients to become more selective in their choice of external counsel, concentrating spend on complex, high-impact matters that advance strategic priorities.

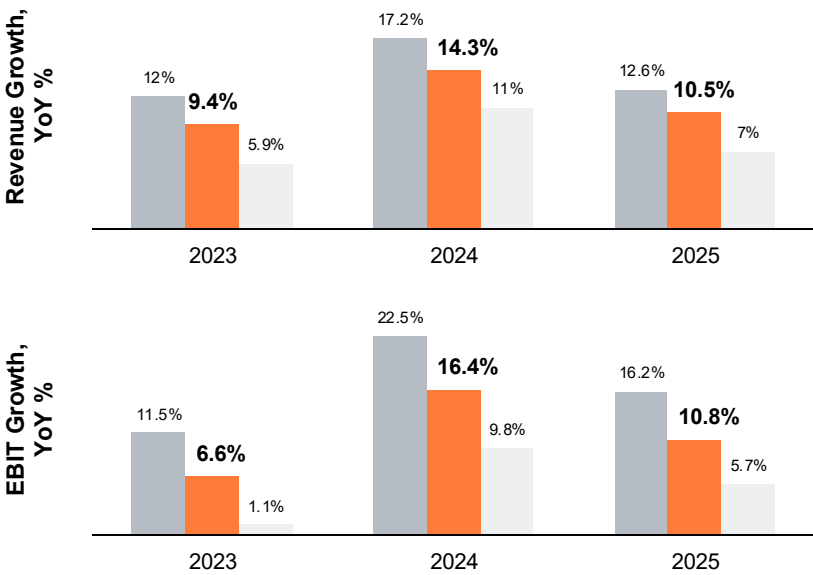
Firms may also find it harder to sustain price increases without demonstrating corresponding improvements in outcomes and efficiency. Differentiated expertise and clear commercial value will therefore become increasingly important in capturing growth.



Growth

183 +17

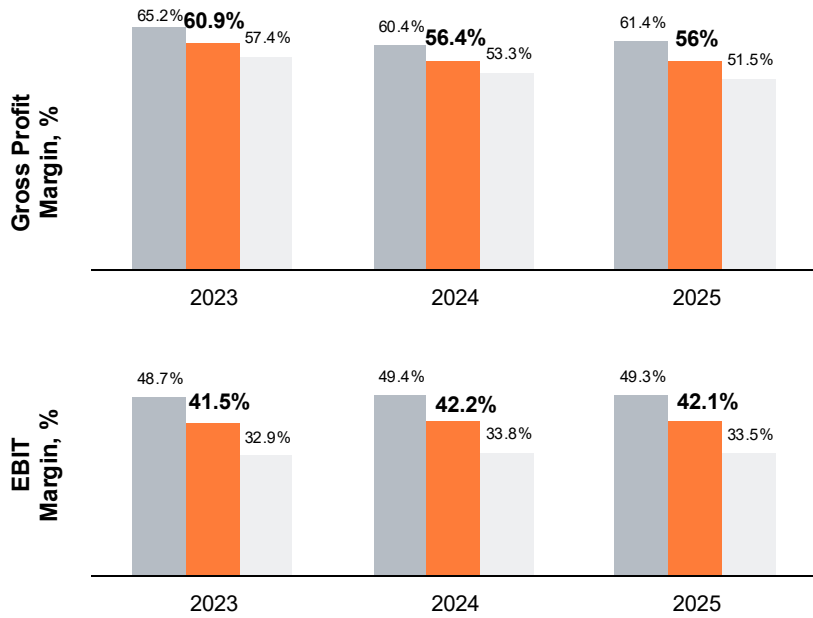
The market remained resilient, with revenue sustaining double-digit growth in FY25. This performance was driven primarily by continued billing rate expansion, while demand growth played a more modest role. Demand remained generally stronger in areas such as M&A, litigation, labour and employment, and real estate. Another emerging growth area was energy transition and digital infrastructure, fuelled by renewables growth and AI-driven data centre demand.



Profitability

101 +0

Profitability was broadly flat at the sector level, though performance varied across firms. Continued pricing support helped sustain margins, while rising talent costs and ongoing technology investment limited further expansion. AI-related spending remained an important contributor to the cost base, and, in some markets such as the UK, increasing consolidation among software vendors also contributed to higher IT expenditure.



Modest productivity gains reflected firms sharpening efficiency across their core business



Legal services



AI's real payoff is still ahead for law firms.

Firms saw modest productivity gains in FY25 but have yet to realise meaningful benefits from their AI investments. A more tangible step change is expected as agentic AI, workflow automation, and other emerging tools mature and firms build the internal capability to deploy them at scale.

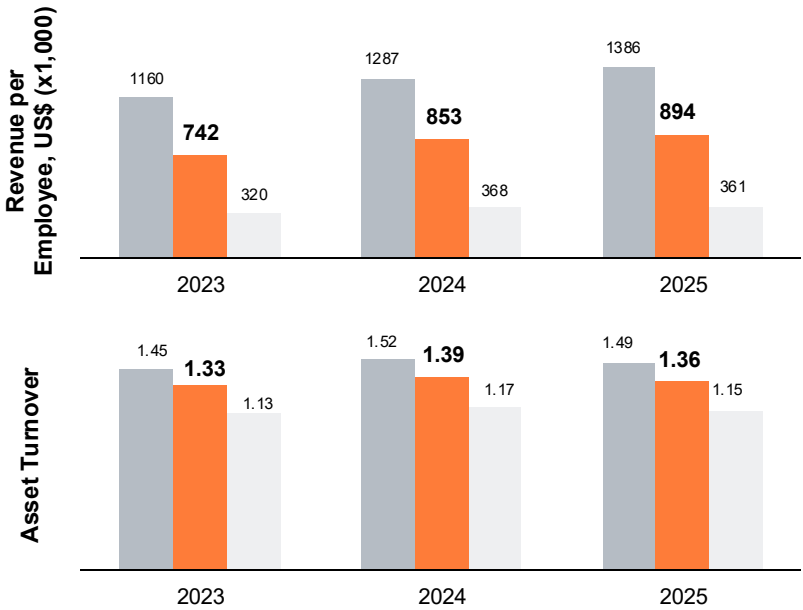
As efficiency gains materialise, firms will also need to rethink pricing, shifting from hourly billing towards fixed fees tied to outcomes. However, with clients often still requesting hourly breakdowns, firms may find themselves caught in a dilemma over how best to position their pricing.



Productivity

116 +1

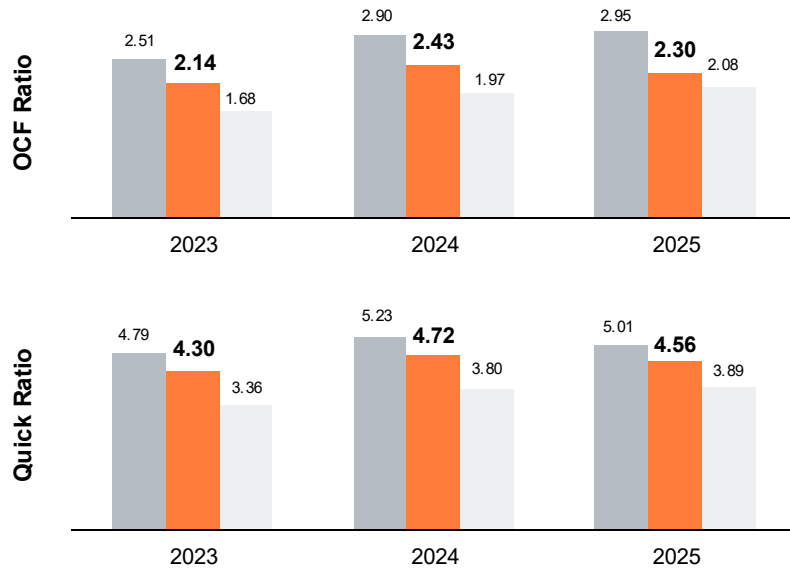
The sector noted an increase in productivity, driven by a rise in revenue per employee. This was attributable to faster revenue growth and more efficient use of the existing workforce. At the same time, firms continued to invest in AI, automation, and process improvement, but productivity savings from AI remain modest. Many are still finding it difficult to measure AI's return on investment clearly and communicate the value of automation in ways that resonate with clients.



Cash Flow

98 -2

Liquidity remained resilient with OCF and quick ratios staying at healthy levels across firm groups. While stronger demand and rate growth supported revenue performance, continued investment in technology and talent increased cost pressure, reinforcing the importance of tight working-capital discipline and close lock-up management to maintain financial flexibility.



The legal services sector remains positioned for growth, but firms will need to demonstrate clear client value, modernise delivery and rethink pricing approaches

Future outlook

The legal services outlook remains positive, although client demand is becoming more selective. Rising regulatory complexity, geopolitical uncertainty, and broader business risk could support demand. However, at the same time, firms will need to contend with corporate clients scrutinising legal spend more closely and concentrating work among firms that can demonstrate more clear business value.

Additionally, AI investment is also expected to remain a major theme across the sector. Over time, growing need for capital to fund these technology investments could contribute to shifts in ownership and funding models, with greater interest from external investors potentially reshaping how some law firms operate and compete.

1 in 3

large global clients are expected to expand their legal spending over 2026

Priorities for success

To succeed in the sector's next phase, firms will likely focus on the evolving their pricing models, investing in automation, and delivering maximum value to client.



Evaluate alternate pricing models: Explore pricing models that reflect AI-driven efficiency alongside traditional billing, helping firms protect pricing, improve predictability, and capture value as clients become more selective



Drive strategic value for the client: Strengthen commercial relevance by linking legal advice more clearly to business priorities, risk, and decision-making, helping defend pricing and retain share of wallet



Deploy AI strategically: Focus AI investment on practical use cases that improve efficiency, support service delivery, and create measurable value, rather than relying on adoption alone

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AI will not just change how legal work is delivered; it will test whether firms can price value when time is no longer the main measure

Lucy Robson, Partner, PwC UK

Global Law Firm: Benchmarking rates and resetting the discounting model

Context

- A large law firm was preparing for its upcoming rate cycle with limited visibility into how its standard rates and discounting compared with the wider market
- Rate-setting decisions were being made without a benchmarked view across office locations and practice areas, leaving leadership unsure whether planned increases were competitive
- Discounting practices had grown inconsistent across the business, with no clear evidence base to challenge or streamline existing thresholds and governance

Our approach

- PwC built a benchmarked rate strategy, comparing the firm's standard rates and discounting practices against a tailored peer group ahead of the new rate cycle
- Developed decision-ready billing-rate reports segmented by location and practice area, showing comparative-year standard-rate movement across Partner and Associate groups
- Established an evidence base to revisit discounting thresholds and rate-setting governance, giving leadership a clear view of where its approach was more conservative than peers

Impact delivered



Customized competitor peer data

Provided a market-backed view of how comparable firms were moving rates, allowing leadership to test whether planned increases were aligned with peer behaviour



Office and practice-area reports

Built segmented reports by location and practice area to show where discounting and realised-rate trends varied across the business



Discounting threshold review

Provided a clear basis to revisit and streamline discounting thresholds and policies, supporting stronger rate-setting strategies going forward



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I. Overview

- This report presents an outside-in view of the Business Services industry and the performance across 8 key sectors: (i) Built Environment Services, (ii) Business Process Outsourcing, (iii) Digital and Education Services, (iv) Human Capital Management, (v) Legal Services, (vi) Logistics and Distribution, (vii) Professional Services; and (viii) Testing, Inspection and Certification
- The performance of each sector is measured by the **'Sector Index Score'**, which has been developed based on an analysis of key metrics for a sample set of companies. This score considers 4 key dimensions and 8 metrics (2 metrics in each dimension), as outlined below:
 - **Growth** – (i) Revenue; (ii) EBIT
 - **Profitability** – (i) Gross margin; (ii) EBIT margin.
 - **Productivity** – (i) Revenue per employee; (ii) Asset turnover
 - **Cash flow** – (i) OCF ratio; (ii) Quick ratio
- A sample of 74 companies has been considered for this sector, and they have been selected based on multiple factors including size, geographic presence/coverage, availability of information, etc
- The **Global Business Services Index** is based on an aggregate of the 8 sector indices (considering a total sample of 438 companies)

II. Index calculations¹

- 1. Time period and baseline** – The index calculation is based on company data for FY23 to FY25 and FY19, the latter being considered as a baseline and assigned a score of 100
- 2. Metric scores**
 - Actual values for each metric were compared between FY19 and FY23 to FY25 to derive a **ratio**
 - The ratios were aggregated across all 45 companies to arrive at an **aggregated ratio** (to avoid larger-sized companies skewing the results)
 - **Metric scores** are calculated by multiplying the aggregated ratio by 100
- 3. Dimension scores**
 - The dimension score is an **average of the metric scores** for metrics included in the respective dimension:
 - i.e., Dimension score (Growth) = Average [Metric score (Revenue), Metric score (EBIT)]
- 4. Sector scores**
 - The sector score is an **average of the dimension scores**:
 - i.e., Sector score = Average [Dimension score (Growth), Dimension score (Profitability), Dimension score (Productivity), Dimension score (Cash Flow)]
 - If the sector score >100, it outperformed against the FY19 benchmark
 - If the sector score = 100, results were at par with FY19
 - If the sector score <100, it underperformed against the FY19 benchmark

III. Future outlook

- The FY26 outlook is based on analyst reports and company guidance for 10 leading companies in every sub-sector, selected on the basis of revenue, scale and availability of information
- Revenue growth and EBIT margin estimates were reviewed and aggregated to develop an indicative sector-level outlook

IV. Key sources

- The key sources referred to throughout the report include the following:
 - Company websites and annual reports
 - Analyst reports
 - Databases such as S&P Capital IQ, Bloomberg, EMIS
 - Company registrar portals such as Companies House (UK), Securities and Exchange Commission (US)

1. The scores for the 2023 and 2024 index were recalculated due to changes in sample size and the incorporation of revised financial figures of included companies

Thank you