



**LEGAL SECTOR - SOUTH AFRICA
2018/2019
FACT SHEET**

Size of the legal market (\$)

The legal sector contributes +/- 0.5 - 1% to GDP in RSA

Size of the legal sector affected by the strength of the economy, business confidence etc which affects deal flow, deal value and hence the demand for legal services.

GDP RSA

- SA had economic growth of 0.8% in 2018, which was higher than expected with the 2018 recession
- Growth is expected to accelerate to about 1.3% in 2019
- The economy is slowly turning the page from 2018's short-lived recession
- GDP 2017 US\$ 349.4bn
- GDP per capita 2017 US\$ 7524.51
- GDP from services ZAR 647524.22 million

GRM believes legal sector in South Africa is fluctuating around the R30bn value mark

Personnel numbers (on the rise)

- 27,527 practising attorneys/57.7m population = 2096.12 people per lawyer
- R30bn revenue/27,527 lawyers = R1,089,839 per lawyer in rev generated
- +/-12,373 law firms
- Law Society of SA (2017) provides the following data supplied by the statutory, provincial law societies:
 - Sole practitioners - 10 182 individuals
 - 2 to 9 attorneys - 2 084 firms
 - 10 to 19 attorneys - 75 firms
 - 20 to 49 attorneys - 15 firms
 - 50+ attorneys - 17 firms



**LEGAL SECTOR - SOUTH AFRICA
2018/2019
FACT SHEET**

Market moves

1. Once a firm grows to more than 2 fee earners an incorporated structure is favoured.
2. In our 2018 Africa Report, GRM predicts by 2025, a vast majority of AM Law 200 & UK100 law firms will have a physical presence somewhere in Sub-Saharan Africa, most likely South Africa, Nigeria or Nairobi.
3. Many international law firms are already involved in big SSA based projects without having a physical presence. Latham & Watkins, Freshfields, Shearmans, Clifford Chance and Sidley Austin were all featured the Dealmakers league tables in 2017.
4. International firms are recognising that having people 'on the ground' on the continent gives them not only early access to deals but also a deeper understanding of local circumstances which can be crucial on transactions.

Top law firms & revenue

We estimate the Big 5 generate revenue of between 1 and 4 billion

We estimate Medium & corporate boutique revenue between 10 and 80 million.

The African Development Bank & the Industrial Development Corporation of South Africa, signed a US\$100 million loan agreement in Nov 2018 to finance industrial and infrastructure projects in Africa.

South Africa had inflows of just \$800 million in December 2018

GENERAL CORPORATE FINANCE: Rankings by deal value - Q1-Q3 2018 - Dealmakers

No	Company	Transaction Values R'm	Market Share %
1	Webber Wentzel	371 605	31,85%
2	Herbert Smith Freehills (SA)	233 645	20,02%
3	Bowmans	153 272	13,13%
4	Werksmans	150 712	12,92%
5	Cliffe Dekker Hofmeyr	78 539	6,73%
6	Allen & Overy (South Africa)	69 033	5,98%
7	ENSafrica	67 033	5,74%
8	Tabacks	15 000	1,29%
9	Ledwaba Mazwai	8 720	0,75%
10	Norton Rose Fulbright South Africa	5 727	0,49%
11	Glyn Marais	5 700	0,49%



M&A: Rankings by deal value - Q1-Q3 2018 - Dealmakers

No	Company	Transaction Values R'm	Market Share %
1	ENSafrica	40 133	21,86%
2	Cliffe Dekker Hofmeyr	32 606	17,76%
3	Werksmans	26 114	14,22%
4	Tabacks	23 106	12,58%
5	Webber Wentzel	22 726	12,38%
6	Bowmans	10 586	5,77%
7	Vani Chetty Competition Law	9 688	5,28%
8	Baker McKenzie	4 877	2,66%
9	Hogan Lovells (South Africa)	2 200	1,20%
10	Faskens	2 183	1,19%
11	Tshisevhe Gwina Ratshimbiani	2 148	1,17%
12	Allen & Overy (South Africa)	1 500	0,82%
13	Shepstone & Wylie	1 350	0,74%

The growth of LPO's

South Africa is fast becoming a preferred jurisdiction for outsourced legal work:

- Favourable time zone (GMT +2) in relation to the UK, Europe & North America.
- A large, affordable, highly-skilled pool of legal professionals
- Legal system aligned to English common law, but also a cultural and language fit with the UK and the US
- RSA offers 40-45% lower cost compared to near-shore locations in the UK (Northern Ireland etc.) and 10-20% lower than locations in Central and Eastern Europe (Czech Republic, Hungary, Romania).

Technology/AI growth

- Legal-tech startup Libryo, co-founded by three South African entrepreneurs in 2016, has raised \$1 million in 2017 to expand the business.
- 33 African justice innovators and legal tech start-ups make HiiL final round
- CPT-based legal tech startup NuvaLaw opened offices in The Hague - looking to expand locally, and in the UK & AUS.



**LEGAL SECTOR - SOUTH AFRICA
2018/2019
FACT SHEET**

Next year

Half of the world's 25 fastest-growing nations are in Africa. This is, and will continue to, ripple into the legal services sector.

Sector has become increasingly competitive

Legal Practice Act is fundamentally changing the sector

Big 5 push to remain independent from international players and instead developing pan-African networks.

Key contacts

Rob Green, CEO

r.green@grmsearch.com

+2721 271 0274

Rayne Handley, Head of Research & Analytics

r.handley@grmsearch.com

+2721 271 0269

Darius Zeederberg, Head of Legal

d.zeederberg@grmsearch.com

+2721 271 0271