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Wells Fargo Legal Specialty Group Six-Month 2026 Survey Results

Following are the results of our six-month 2026 survey of the law firm industry. More than 140 firms participated, including 69 American Lawyer (Am Law) 100 firms and 48 Am Law Second Hundred firms.

- The law firm industry delivered a strong first half of 2026, with revenue growth supported by both demand and record billing rate gains. Strength was broad based, benefiting from the AI-capital spending boom which fueled activity in many practice areas.

- Revenues for the Am Law 200 increased 12.4% during the first six months, ahead of last year's pace of 11.2% and among the best first halves we've surveyed. The Am Law 50 led with growth of 13.6% while the Second Fifty and Am Law Second Hundred gained 10.6% and 9.4%, respectively.

- While rapidly rising billing rates remain the primary contributor to revenue growth, demand growth (measured by lawyer logged hours) accelerated to 4.8% in the first six months of 2026, up from 2.0% in the first half of 2025, continuing the above-trend pace that began to accelerate in the second half of last year. Demand is also running ahead of the 3.2% growth that firms forecast for 2026 in our year-end survey conducted in January.

- With lawyer headcount growth of 2.9%, down from last year's 3.4% pace, productivity improved by 1.8%, more than recovering the drop of 1.4% experienced this time last year.

- Average standard rates rose double digits in the first half of 2026, but converting these rates into collections has become more challenging thus far in 2026, with revenues only reflecting 7.3% realized rate growth, compared to 9% this time last year. While discounting accounts for a portion of this shortfall, the larger component is the amount of inventory that is accumulating, primarily on work that has not yet been billed. This is not uncommon in strong transactional markets, but we have also heard that clients are scrutinizing bills more closely and are paying more slowly.

- Inventories grew 17.7% for the Am Law 200, but the growth was not uniform, with inventory growing much faster for the Am Law 50 (up 19%) than for the other tiers (14% for the Second Fifty and 12% for the Second Hundred). With inventory growing faster than revenue, the inventory collection cycle (number of days it takes to collect fees once work is performed) slowed by 8.5 days (5%) overall. This was a marked change from this time last year when inventories grew in line with collections.

- Expense growth has stabilized at a high level of 9.6%, matching the level this time last year. Expense growth was broad-based, given the growth in lawyers, leverage (up 3.6%, especially from the more expensive non-equity partners), professional staff (up 3.8%, i.e., more than lawyer headcount), and technology investments. Overall, lawyer compensation increased 8.9%, slowing from 10.5% growth this time last year, while the reverse occurred for overhead expenses, which

increased 10.4%, rising from 8.6% last year. Expenses rose fastest for the Am Law 50, up 10.6%, with more moderate increases for the Second Fifty, up 7.9%, and Second Hundred, up 8.6%.

- Percentage increases in net income can be unusually large for interim reporting, given seasonality of collections and cash basis reporting. That said, net income for the Am Law 200 increased by 17.5%, up from 14.3% this time last year. Growth was led by the Am Law 50, up 18.5%, followed closely by the Second Fifty, up 17.3%. However, there was a wide gap to 11.0% for the Second Hundred as expense growth accelerated from low levels the prior year. With tight control over the growth of equity partners, profits per equity partner increased at nearly the same rate as net income.

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