
Profitable, growing, resilient, invisible



Sir Nigel Knowles

The Managing Partners' Forum believes that, when confronted by major environmental change such as the Legal Services Act, management's primary task is to carry out due diligence to clarify strategic options and to guide internal discussions.

We launched a campaign in late 2007 to highlight barriers to firms engaging with external investors: an inefficient aftermarket caused by listed professional firms being spread across multiple ICB sectors; the lack of dialogue between investors and firm leaders; and the lack of an accepted methodology for valuing professional firms. No-one is suggesting that external equity is suitable for all professional firms – far from it – but there is a seam of firms that have either listed on a stock exchange, introduced external equity without a listing, or for whom external equity could make good commercial sense.

This Report introduces a new dimension to our campaign. The MPF Professional Services Index, compiled by investment bank Noble, is the first ever measure of the relative performance of listed UK professional firms. The Report

explains the background to the new index and explores key issues facing firm leaders and external investors. It also contains a universal definition of a professional firm and showcases a selection of constituent firms.

We want investors to appreciate the profitability, growth and resilience of professional firms. Using historic data, the new index outperformed the FTSE AIM UK 100 but was more volatile than the FTSE 350 Support Services and FTSE 350 (excluding investment companies) indices. This shows our invisibility. We envisage a world where our new index consistently outperforms superficially comparable indices and:

- The professions are recognised as crown jewels on any stock exchange
- Institutions allocate analysts to cover the professions as a distinct sector
- When firms have something worth saying, it is not just existing investors who are listening
- Professional firms operating in specialist sectors are re-rated as professional firms.
- Funds are created to invest in the professions, using our index as a benchmark

Whether you are a professional firm leader, fee earner, institutional investor, fund manager, analyst or just interested in finding out more about how professional firms engage with external investors, I hope that you will find this free Report instructive and useful.

Sir Nigel Knowles
Joint CEO, DLA Piper
MPF Chairman