



2026 Law Firm Financial Performance Benchmark

Mid-Year Insights and Best-In-Class
Benchmarks for Improving Cash Flow
and Profitability

A Strong Revenue Environment Is Masking a Cash Conversion Challenge

The first half of 2026 reflects a widening gap between law firm revenue growth and cash performance. Demand remains healthy, hours billed continue to rise, and fees billed are growing. Yet collections are not increasing at the same pace, leaving more firm revenue tied up in unbilled work and outstanding receivables.

This distinction matters. In an environment of rising partner compensation, talent costs, technology investment, and client expectations, revenue growth alone does not guarantee stronger profitability or greater financial flexibility. Firms can appear financially healthy while still experiencing pressure on cash flow, partner distributions, and the ability to fund strategic investments.

Our analysis indicates that the firms outperforming the market are not simply generating more work. They are managing the revenue lifecycle with greater discipline. They move matters from time entry to billing more quickly, address invoice issues earlier, actively manage receivables, and create greater accountability across attorneys, finance, and firm leadership.

This report benchmarks the financial and operational measures that most directly influence cash flow and profitability, including:

- Billing and collection realization
- Days to bill and days to pay
- Accounts receivable aging
- Lock-up and work in progress
- Year-over-year billing and collection performance

The objective is not only to show where the market stands, but to help law firm leaders identify where operational improvements can release trapped cash, reduce revenue leakage, and strengthen the firm's capacity to invest in future growth.

Key Insights for Law Firms

- Demand remains strong, but cash conversion is not keeping pace. Fees billed increased 11.9%, while fees collected grew 10.4%, widening the gap between work generated and cash received. More than half of industry accounts receivable is now aged over 60 days, highlighting growing collection and liquidity pressures.
- More billable activity is not automatically producing stronger financial performance. Hours billed increased 6.2%, but firms continue to carry significant levels of unbilled work and outstanding receivables.
- Lock-up remains the industry's largest financial performance opportunity. Overall lock-up stands at 156 days, compared with 78 days for best-in-class firms. Best-in-class firms also maintain a significantly greater percentage of receivables within the first 60 days, improving collection predictability and cash flow.
- Billing and collection execution separate leading firms from the market. Overall billing realization is 92.8%, compared with 98% best-in-class performance, while collection realization is 92.3%, compared with 98.1%.
- Faster billing can materially accelerate cash flow. The industry averages 59 days to bill, compared with 35 days for best-in-class firms.

2026 Mid-Year Market Snapshot

+11.9%

Fees Billed YTD

Industry-wide growth

+10.4%

Fees Collected YTD

Lagging behind billing

+6.2%

Hours Billed Growth

Demand continues rising



Partner Compensation

Increasing pressure on profitability and cash

Core Revenue Cycle Benchmarks

The effectiveness of a firm's revenue cycle can be evaluated through three foundational measures: billing realization, collection realization, and lock-up. Together, these metrics show how much of the firm's potential revenue is preserved and how efficiently that revenue is converted into cash.

1. BILLING REALIZATION:

Billing realization measures the percentage of standard or worked value that is ultimately billed to clients. Overall industry billing realization stands at 92.8%, compared with 98% among best-in-class performers. Even a modest realization gap can represent significant lost revenue at scale. Common contributors include late or incomplete time entry, excessive prebill adjustments, pricing misalignment, matter-management issues, and services that fall outside client billing guidelines.

Firm Size	Industry Performance	Best-In-Class Performance
AM Law 50	93.1%	98%
AM Law 51-100	91.1%	
AM Law 101-200	91.6%	
Mid-Size Firms	93.6%	
Overall	92.8%	

2.COLLECTION REALIZATION:

Collection realization measures how much of the amount billed is ultimately collected. Overall collection realization is 92.3%, compared with 98.1% among best-in-class performers. A collection-realization gap may result from invoice disputes, client billing requirements, delayed follow-up, negotiated reductions, unapplied cash, or insufficient ownership of client payment issues.

Firm Size	Industry Performance	Best-In-Class Performance
AM Law 50	91.5%	98.1%
AM Law 51-100	93.0%	
AM Law 101-200	91.7%	
Mid-Size Firms	91.9%	
Overall	92.3%	

3.LOCK-UP DAYS: DAYS OF A/R + DAYS OF UNBILLED

Lock-up measures how long firm revenue remains trapped between performing the work and collecting payment.

Overall industry lock-up is 156 days, exactly double the 78-day best-in-class benchmark.
The current report also shows material lock-up across every major firm segment.

Firm Size	Industry Performance	Best-In-Class Performance
AM Law 50	166	78
AM Law 51-100	157	
AM Law 101-200	132	
Mid-Size Firms	142	
Overall	156	

4.AGING ACCOUNTS RECEIVABLE: AR AMOUNT < 60 (YOY)

Year-over-year growth in accounts receivable aged less than 60 days provides insight into how effectively firms are managing receivables generated by increased billing activity.

While revenue growth naturally creates additional receivables, the healthiest firms keep that growth concentrated in newer, more collectible invoices rather than allowing balances to migrate into older aging categories. This measure helps determine whether firms are maintaining control of cash conversion as billing volumes expand.

Firm Size	Industry Performance	Best-In-Class Performance
AM Law 50	12.4%	21%
AM Law 51-100	15.4%	
AM Law 101-200	7.5%	
Mid-Size Firms	1.7%	
Overall	11.3%	

5. AGING ACCOUNTS RECEIVABLE % OF AR < 60

The percentage of total accounts receivable aged less than 60 days is a key indicator of receivable quality and collection effectiveness. A larger share of receivables in this category suggests invoices are moving through the collection cycle more efficiently and are more likely to convert to cash without significant collection effort. Firms with higher concentrations of current receivables typically experience stronger cash flow, lower collection risk, and greater financial flexibility.

Firm Size	Industry Performance	Best-In-Class Performance
AM Law 50	48.5%	62%
AM Law 51-100	46.5%	
AM Law 101-200	50.4%	
Mid-Size Firms	46.2%	
Overall	48.2%	

6. AGING ACCOUNTS RECEIVABLE % OF AR ≥ 60

Receivables aged 60 days or more represent revenue that is taking longer to convert into cash and carries a higher risk of collection delays, disputes, concessions, and write-offs. As invoices age, collection likelihood generally declines and additional firm resources are often required to resolve outstanding balances.

This measure highlights the extent to which firms are allowing revenue to remain trapped in the collection process and identifies one of the greatest opportunities for improving cash flow performance.

Firm Size	Industry Performance	Best-In-Class Performance
AM Law 50	51.5%	38%
AM Law 51-100	53.5%	
AM Law 101-200	49.6%	
Mid-Size Firms	53.8%	
Overall	51.8%	

7.AVERAGE DAYS TO BILL

The industry averages 59 days to bill, compared with 35 days for best-in-class firms.

Every delay between performing work and issuing an invoice pushes collection further into the future.

Slow billing also increases the likelihood of time-entry questions, client disputes, invoice adjustments, and missed billing requirements.

Firm Size	Industry Performance	Best-In-Class Performance
AM Law 50	69	35
AM Law 51-100	53	
AM Law 101-200	44	
Mid-Size Firms	47	
Overall	59	

8.AVERAGE DAYS TO PAY

The industry averages 52 days to payment, compared with 40 days for best-in-class firms.

Days to pay is influenced by client payment behavior, but firms are not powerless to improve it. Accurate invoices, compliance with client guidelines, clear payment terms, electronic billing readiness, early dispute resolution, and proactive collection activity can materially shorten the cycle.

Firm Size	Industry Performance	Best-In-Class Performance
AM Law 50	50	40
AM Law 51-100	52	
AM Law 101-200	54	
Mid-Size Firms	52	
Overall	52	

What Law Firm Leaders Should Take Away

REVENUE GROWTH DOES NOT AUTOMATICALLY TRANSLATE INTO CASH GROWTH

Fees billed are increasing faster than fees collected, meaning a portion of industry growth remains trapped in the revenue cycle. Firms should evaluate financial performance based not only on revenue generated, but also on how quickly and consistently that revenue becomes cash. The report shows fees billed growing by 11.9%, compared with 10.4% growth in fees collected.

LOCK-UP REPRESENTS CAPITAL THE FIRM CANNOT DEPLOY

Every additional day of unbilled time or unpaid receivables limits the firm's ability to fund compensation, technology, growth initiatives, and client service improvements. Reducing lock-up should therefore be treated as a strategic financial priority, not simply a finance department metric.

COLLECTIONS PERFORMANCE IS REFLECTED IN RECEIVABLE AGING

High-performing firms maintain a greater percentage of receivables within the first 60 days and prevent balances from migrating into older aging categories. Effective collections begin long before an invoice becomes overdue through timely billing, proactive client communication, rapid dispute resolution, and consistent follow-up. Firms that actively manage aging receivables improve cash flow while reducing write-offs and collection risk.

BILLING SPEED IS ONE OF THE MOST CONTROLLABLE PERFORMANCE LEVERS

Long billing cycles create downstream delays in payment and increase the likelihood of invoice questions, write-downs, and collection challenges. Improving time entry, prebill workflows, invoice review, and electronic billing processes can have an immediate effect on cash conversion.

REVENUE CYCLE PERFORMANCE REQUIRES FIRMWIDE ACCOUNTABILITY

Finance teams cannot solve revenue leakage alone. Sustainable improvement requires clearly defined responsibilities across attorneys, billing teams, collections professionals, firm leadership, and technology operations. Metrics should be visible, regularly reviewed, and connected to individual and practice-group accountability.

THE QUALITY OF ACCOUNTS RECEIVABLE MATTERS AS MUCH AS THE AMOUNT

Growing receivables are not inherently a concern if balances remain concentrated in current aging categories. The greater risk emerges when receivables remain outstanding beyond 60 days, where collection probability declines and revenue becomes increasingly difficult to convert into cash. Best-in-class firms focus not only on growing revenue, but on maintaining a healthier receivables portfolio.

Conclusion

The financial performance gap between law firms will increasingly be determined by how effectively firms manage the work they have already earned. As compensation, operating costs, and technology investments continue to rise, the ability to convert work into cash will be as important as the ability to generate new demand. Firms that reduce billing delays, address aging receivables earlier, improve realization, and create accountability across the revenue lifecycle will be better positioned to protect profitability and fund future growth.

The opportunity is significant because many of these improvements do not depend on changing the firm's market position or adding new revenue. They come from strengthening the processes, technology, governance, and behaviors that move revenue from time worked to cash collected.

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