

Understanding the maturing French Legaltech Sector: Consolidation, Certifications and Challenges in 2022

The French Legaltech sector has been on expanding for some time. Now – ‘the third wave’ is in full swing, following on from ‘creations’ (2015-2018), and ‘business consolidation’ (2019-2021). This is the key takeaway of the 6th edition of the Barometer of Legaltech by Maddyness.

This year, 377 players responded to our major annual survey on 2022 legaltech trends, whether they are startups, SMEs/ETIs, or legal professionals who have developed their own solution. The key takeaway was that 2022 was a year of consolidation in the *French Legaltech sector*.

Funding: the highs and lows

Despite a 44% drop in fundraisings on 2021, startups have grown and consolidated, with 38% of them having opened headquarters outside of the Île-de-France region.

Although the median capital raised in 2022 was only €700K, 15 Legaltech companies were able to gain investors' trust and six of them raised at least one million euros. Five Legaltech startups were founded this year, compared with 32 in 2021 and 19 in 2020, and 63% of companies stated they have already received a buyout offer.

The biggest fundraising round was achieved by LegalPlace and totalled 20 million euros, and the biggest acquisition of the year was the purchase of Hyperlex by DiliTrust. Although the market is still in need of a government-backed, sector-specific fund, the sector is becoming increasingly mature and the outlook for the future is positive.

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Diverse Solutions

In the last year, the French Legaltech sector has seen a marked evolution, with a greater level of maturity and the emergence of a new generation of entrepreneurs.

This maturity is reflected in the diversity of solutions, the increasing segmentation of offers, and the focus on tailoring services to B2B clients, rather than B2C. Investors have also taken note, with the sector receiving €208M of investment over the course of 2021, despite a significant slowdown due to the end of bubbles in the Tech sector, the rise in interest rates, inflation, and the current geopolitical context.

Startups have had to adapt their fundraising strategies and focus on demonstrating intrinsic value, as well as building relationships with potential investors in order to gain their trust. Going forward, consolidation is expected, and there will be plenty of opportunities for those who can demonstrate their value.

Regional focus

Legaltech startups have become an integral part of the French tech ecosystem, with a presence in most regions. The Paris region is home to around 40% of France's Legaltech startups, with the majority of them concentrated in the capital itself.

The Auvergne Rhône-Alpes region (6%), particularly Lyon (5%), and the south of France are also home to a substantial number of Legaltech companies. Around 5% are based in the Provence-Alpes-Côte d'Azur region, and 3% are found in Occitanie. Meanwhile, a full 3% of recorded Legaltech workers across France say that they are fully remote.

CSR, hiring and open data

To enhance their appeal, 48% of startups have integrated corporate social responsibility considerations into their early development, while 29% are pursuing certification. As the sector continues to grow, 75% of the respondents in the sixth edition of the Legaltech Review plan on recruiting between one and five people in the coming months.

In 2022, French legaltech startups encountered a variety of challenges, both regulatory and technological. With the lifting of a major regulatory constraint, open data of legal decisions became available, allowing Legaltech companies to benefit from the increased access to information.

However, certain obstacles remain, such as the need to adjust economic equations in terms of referral fees and the need to integrate into a wider tech ecosystem. These challenges must be put into context alongside the positive figures: 79% of startups reported that they were not hampered by the legislative or regulatory environment, and 91% of founders have still contributed the majority of capital for their companies. With the rise of certifications, the support of investors and the use of technology, the future of Legaltech in France appears bright.

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