

Job and Leadership Turmoil Creates M&A Opportunities: Shearman Predicts Major Gains



Shearman & Sterling's mergers and acquisitions (M&A) practice is experiencing growth despite facing a leadership change, staff cuts, and failed merger talks. Bloomberg data reveals that in the first quarter of 2023, the New York firm advised on 47 deals worth \$26.1 billion, ranking 11th among rivals. This is a significant improvement compared to last year, when the firm ranked 30th in the same period. The firm's M&A practice leader, Scott Petepiece, attributes this success to a doubling down on their public company M&A focus and actively identifying new relationships in the market.

This success is a bright spot in an otherwise difficult start to the year for Shearman & Sterling. Over one month, starting from Feb. 8, the firm announced it was laying off 38 attorneys and professional staff, ending merger talks with Hogan Lovells, and moving on from its current leader at the end of 2023 after five years. Recently, the firm also announced further cuts to its business services workforce. The instability has caused some lawyers to seek opportunities elsewhere. Morgan Lewis hired a 20-lawyer Munich team from Shearman & Sterling the day it announced an end to merger talks. Less than a week later, Cahill Gordon & Reindel announced that it had hired Shearman's co-head of the financial restructuring and insolvency practice, Joel Moss. Garreth Wong also left to join Paul Hastings as co-chair of international arbitration in its London office.

Adam Badawi, a law professor at the University of California, Berkeley, believes that Shearman & Sterling's top-performing deal partners will be in high demand from other firms, given their ability to bring in deals during a downturn in the market. However, Petepiece argues that the firm's top M&A partners have a strong incentive to stay due to competitive compensation and the firm's culture of excellence and collegiality.

Law firms that focus on public company deals, like Shearman & Sterling, rather than private equity transactions, may have stronger first-quarter results, according to Brad Hildebrandt, a consultant for law operations. This focus could help Shearman & Sterling recover from the over 10% decline in revenue it experienced last year, bringing in \$906.9 million compared to over \$1 billion in 2021. Hildebrandt believes that law firms do better than most other businesses in a recession and recover faster.

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Shearman & Sterling's M&A practice may also benefit from its lawyers' upcoming role as lead counsel for JetBlue Airways Corp. in its battle with the Justice Department over a proposed merger with Spirit Airlines Inc. Adam Hakki, who has led the firm's global litigation group since 2012, will become the firm's senior partner next year, succeeding David Beveridge, who has led the firm since 2018.

Despite the failed merger talks with Hogan Lovells, Hildebrandt believes this does not indicate a deeper problem within Shearman & Sterling. Instead, he believes that the complexity of executing such transactions between large international firms is challenging. Petepiece is confident that the deal flows the M&A team has generated will protect the practice from any future cuts. He argues that the busier the team is, the better position they will be in to continue to keep people busy and retained.