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King & Spalding Revenue and Profit Soar With Demand for Partner Time

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A SPIKE IN client demand for partners' time and strong transactional work helped King & Spalding post a 14.3% increase in revenue to \$1.53 billion and a 25.2% increase in net income to \$713.45 million.

That growth translated into a 9.2% increase in revenue per lawyer to \$1,255,000 and a 17% increase in profit per equity partner to \$3,509,000, even with an increase in equity partners. It was the firm's 11th straight year of revenue and profit growth.

King & Spalding's chairman, Robert Hays, attributed the double-digit revenue and profit growth to a significant demand increase. "It was a strong year, with record levels of demand, but it was not a fun year," he said. "The commitment level and professionalism of all the people in the firm was off the charts."

The firm's total partner hours billed increased 12.7%, Hays said, adding that average hours



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King & Spalding's profits per equity partner passed the \$3.5 million mark, even though the firm expanded its equity partner ranks by 7%.

per partner were the highest in 15 years. "Client demand was for partner time—people with experience," he said, adding that there was also a substantial increase in pro bono hours from lawyers and staff in response to the pandemic.

Hays said two core practices—litigation, which makes up more than half the firm's overall legal practice, and government investigations—were remarkably busy in the first quarter, but work slowed after courts closed.

Still, that slowdown was offset by a significant increase in transactional work, which accelerated

after a second-quarter pause, he said. In addition to M&A deals, that corporate work included financing, infrastructure, health-care and tech transactions, plus private equity fund formation.

Advising on the CARES Act and other regulatory matters also kept lawyers busy.

King & Spalding added a "surprising number of new clients," Hays said, some for COVID-19 related work and others brought in by newer lateral partners, such as a team of six former Morrison & Foerster partners representing investment funds and defense

contractors including SAIC and Booz Allen. One top deal for the firm last year was advising SAIC on its \$1.2 billion acquisition of Unisys' federal IT contracting unit.

The firm opened a Northern Virginia office to accommodate the Morrison & Foerster partners, whom it added in late 2019 and early 2020.

For its London office, meanwhile, revenue dipped 2.7% to \$54.26 million. Hays said transactional practices were slightly down in London, where deal activity was lower than in the U.S.

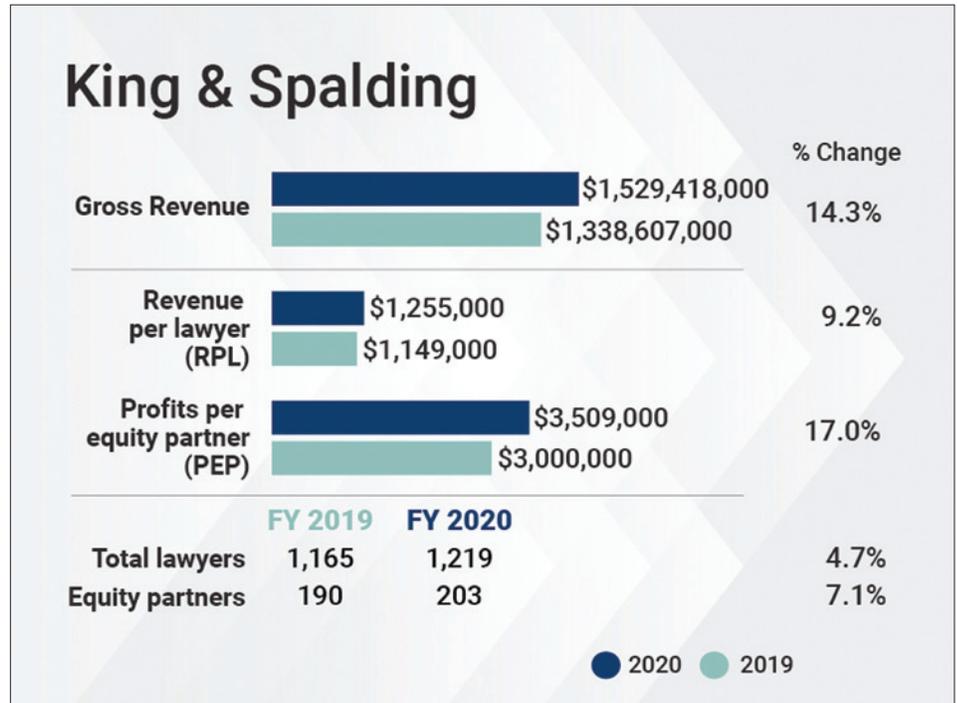
King & Spalding made no layoffs and no pay cuts last year,



JOHN DISNEY/ALM

King & Spalding's chairman, Robert Hays, attributed double-digit revenue and profit growth to a strong year, with record levels of demand.

Hays said. The firm realized some expense savings on travel and marketing, he said, but compensation expenses increased



with no savings on office leases, which are the two top expenses for law firms.

When the shutdown started in mid-March, the firm decided to prepay some expenses for the rest of the year, financed by reducing equity partners' draws, which "gave us a bit of a cushion," Hays said. It also prepaid some 2021 expenses, he said.

The Talent

King & Spalding increased its overall lawyer head count by 4.7% to 1,219 lawyers. Notably, the firm expanded its equity partner ranks by 7.1% (to 203 partners), compared with a 2% decrease in 2019. Nonequity partner head count increased 8.7% (to 285 partners), after a

20.2% increase in the nonequity ranks in 2019.

Despite the pandemic, King & Spalding hired 55 lateral partners last year, a record number—most notably, 19 partners from elite California litigation boutique Boies Schiller Flexner. It also promoted 21 lawyers to partner.

Meanwhile, 26 partners departed last year. Most notable was the departure of high-profile deal-maker Jim Woolery in September to start his own boutique advising billionaires, Woolery & Co. A trio of energy regulatory partners led by Neil Levy in Washington, D.C., departed for McDermott Will & Emery.

The majority of the new lateral partners, 36, were hired after the pandemic hit in mid-March,

Hays said, but many were from efforts already underway. “We talked a lot earlier in the year about being more conservative on lateral hiring but decided not to be,” he said, noting that bringing in that many lateral partners is expensive and depressed profitability in the short term.

“The majority of the laterals we hired last year were known personally or professionally by current partners at our firm, as was the case with the Boies Schiller partners,” he added. “They have exceptional trial and litigation experience in the important markets of California and New York.”

The Boies Schiller partners joined in two phases—14 commercial litigators in Los Angeles and San Francisco in April, then four partners in New York in June handling commercial litigation or government investigations. Another, Bob Cooper, who has a government investigations and antitrust practice, joined in Washington in July.

Including the 19 Boies Schiller partners, litigators accounted for the majority of the new partner recruits, totaling 32. King & Spalding started 2020 by hiring former deputy attorney general

Rod Rosenstein. In February, it added four litigation partners in New York from Orrick Herrington & Sutcliffe and a trio of international arbitration partners from Kirkland & Ellis in Chicago and New York. The firm also added high-profile London litigator Ben Emmerson QC from Monckton Chambers to head its public international law practice.

King & Spalding added no lateral partners to its Atlanta headquarters last year, focusing instead on Los Angeles, New York, Washington and Chicago. However, in January 2021, long-time Atlanta partner Paul Murphy returned to the firm’s government matters practice after a stint as chief of staff to FBI director Chris Wray, who’d formerly headed the practice.

The Work

In billion-dollar deals, King & Spalding advised energy drinkmaker Rockstar on its \$3.85 billion acquisition by PepsiCo; T&D Holdings in its \$2.2 billion acquisition with The Carlyle Group of Fortitude Re from AIG; and Americold Realty Trust on its \$1.74 billion acquisition of Agro Merchants Group. It also advised

GM on a \$4 billion offering of senior unsecured notes.

In litigation, the firm is defending Boehringer Ingelheim Pharmaceuticals in a mass tort case over Zantac, consolidated in the U.S. District Court for the Southern District of Florida, after the FDA in April 2020 recalled the drug because it contained a probable carcinogen.

King & Spalding won a dismissal with prejudice in a putative consumer class action against Postmates in the U.S. District for the Northern District of California. The judge ruled the plaintiff failed to establish the delivery app was vicariously liable for mass texts from a third-party marketer soliciting drivers in violation of the Telephone Consumer Protection Act.

In a notable pro bono case, King & Spalding partnered with the Georgia Innocence Project to overturn double-murder convictions and win a new trial for Dennis Perry after matching DNA recovered from the crime scene in 1985 to an alternate suspect. After 20 years in prison, Perry was freed on a signature bond in July. Since 2018, King & Spalding lawyers and staff have spent more than 3,000 hours on the case.