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King & Spalding Sees PEP Spike 12% Amid 'Solid and Even Demand' Growth

By Thomas Spigolon
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What You Need to Know

- King & Spalding's profits rose at more than double the rate of its revenue in 2023.
- The international firm increased its gross revenue by 5.8% to $2.137 billion. Its profits per partner rose by 12.8% to $5.3 million.
- It shrank its equity partner tier by 6.3% but only slightly increased its non-equity partner tier by 1%.


Photo: John Disney/ALM

Robert Hays, chairman, King & Spalding.

After cracking the $2 billion mark for the first time in 2022, King & Spalding increased its gross revenue by 5.8% to $2.137 billion last year. Meanwhile, its average profits per equity partner grew even faster in 2023, rising 12.8% to $5.3 million.

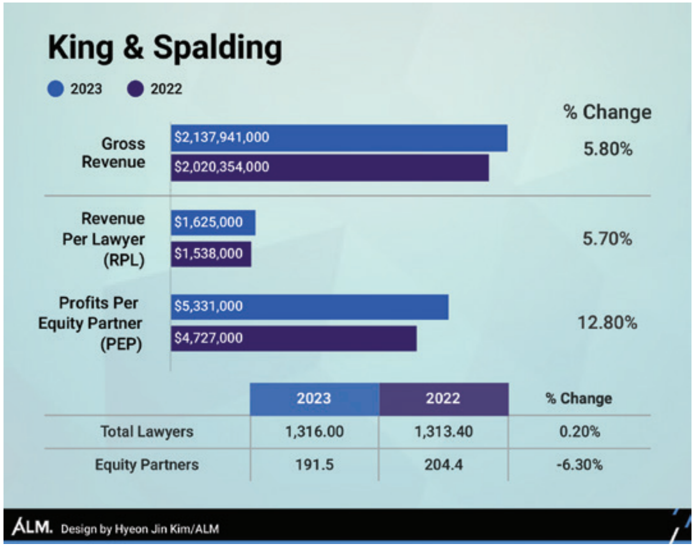
King & Spalding saw "solid and even demand" in all practice areas, as it crossed financial benchmarks in other metrics for the first time, said chairman Robert Hays.

Hays said the firm's lawyers' "talent and commitment level" to clients contributed to the financial results. He noted the firm's lawyers increased its billable hours in 2023, despite its total lawyer head count staying flat, and he downplayed any significant effect from billing rate increases. With headcount flat, its revenue per lawyer rose by 5.7% to $1.625 million.

"The reality is they worked harder," he said about King & Spalding lawyers. "The head count didn't grow but the work did."

He said the firm also received contingency fee payments for some matters that contributed to firm revenue.

The firm's growth in PEP, topping $5 million for the first time and essentially doubling in six



years, puts the firm in league with the top 10 firms in the Am Law 100 in PEP.

However, its PEP was partly boosted by the number of equity partners, which fell by about 6.3% to 192 full-time equivalent equity partners. Hays attributed the decrease to retirements. Meanwhile, the number of nonequity partners rose slightly, by 1% to 324.

The firm's net income — its compensation for all equity partners — rose by 5.6%, exceeding $1 billion for the first time.

Hays noted that 2023 was the 15th consecutive year both revenues and profits exceeded the previous year. He credited solid demand across the firm's practices, adding King & Spalding's diversified "practice portfolio" and 25 offices in markets spread across three continents helped the firm increase revenue despite a softening in demand seen industry-wide.

Looking at its global performance, King & Spalding increased revenue, he said, in its London office — which celebrated its 20th anniversary — and in Abu Dhabi and Dubai in the United Arab Emirates and in Riyadh, Saudi Arabia, which the firm launched last year after operating in an affiliate agreement with a local firm since 2007.

Specifically, the firm's UK office revenue rose more than 33%, to about $96.3 million last year, according to ALM data.

King & Spalding also grew its litigation and transactional practices in New York and saw enough demand for its services in Texas to add a third office in Dallas early in 2024, Hays said.

But the firm added significantly fewer lateral partners in 2023 (22) compared to 2022 when it added 41, according to past reports and information from the firm.

Lateral partners were added last year primarily in its corporate, finance & investments, trial & global disputes, and government matters practice groups. More than a third were in the firm's international offices in Abu Dhabi, Dubai, Paris and London; while Texas and Washington, D.C., were the most likely destinations for U.S. laterals, according to the firm. Among the more notable additions were Adam Baker in New York from the U.S. Attorney's Office in New Jersey, and Alicia O'Brien in Washington from the White House counsel's office, both as partners in its government matters group.

Speaking on office attendance policies, Hays said the firm does not have an in-office work requirement for lawyers. But the firm expects them to be in the office based on the need for client service and collaboration with other lawyers, Hays said.

King & Spalding is not considering a merger with any other firm this year, Hays said.

"We haven't really evaluated (a potential merger) and there's no reason to," he said.

Big Deals

The firm advised on a number of deals valued above $1 billion, both in the U.S. and internationally, that helped it grow its revenue, Hays said.

King & Spalding advised Lehigh Valley Health Network in December on its planned combination with Jefferson Health in the Philadelphia area to create a health care system valued at $12.6 billion.

It also advised NextDecade Corp. on the first phase of its Rio Grande LNG project in Brownsville, Texas. The company received $18.4 billion in project financing in July, and King & Spalding advised NextDecade on the project infrastructure, including the engineering, procurement and construction (EPC) agreement, natural gas transportation arrangements, all real estate matters, and served as opinion counsel for what is reportedly "the largest privately funded infrastructure project" in Texas history.

On the disputes side, in September, the firm earned a $16 billion award against the Republic of Argentina in a New York federal court for clients Petersen Energia and Eton Park Capital Management in a long-running breach of contract litigation.

Also, in September, the Second Circuit U.S. Court of Appeals affirmed a district court decision not to reopen a class action seeking hundreds of millions of dollars in damages against King & Spalding client Rio Tinto involving a coal mining project in Mozambique.

Internationally, King & Spalding advised Saudi Fransi Capital in September on its launch of the King Salman Park Real Estate Development Fund for the development of a $1.1 billion mixed-use project in Riyadh, Saudi Arabia.

It also advised on all aspects of the "world's largest green hydrogen and green ammonia production facility" valued at $8.4 billion in Oxagon, Saudi Arabia. The project reached financial close in May, the firm said.