

BigLaw's 10 Biggest Revenue Winners And Losers Of 2017

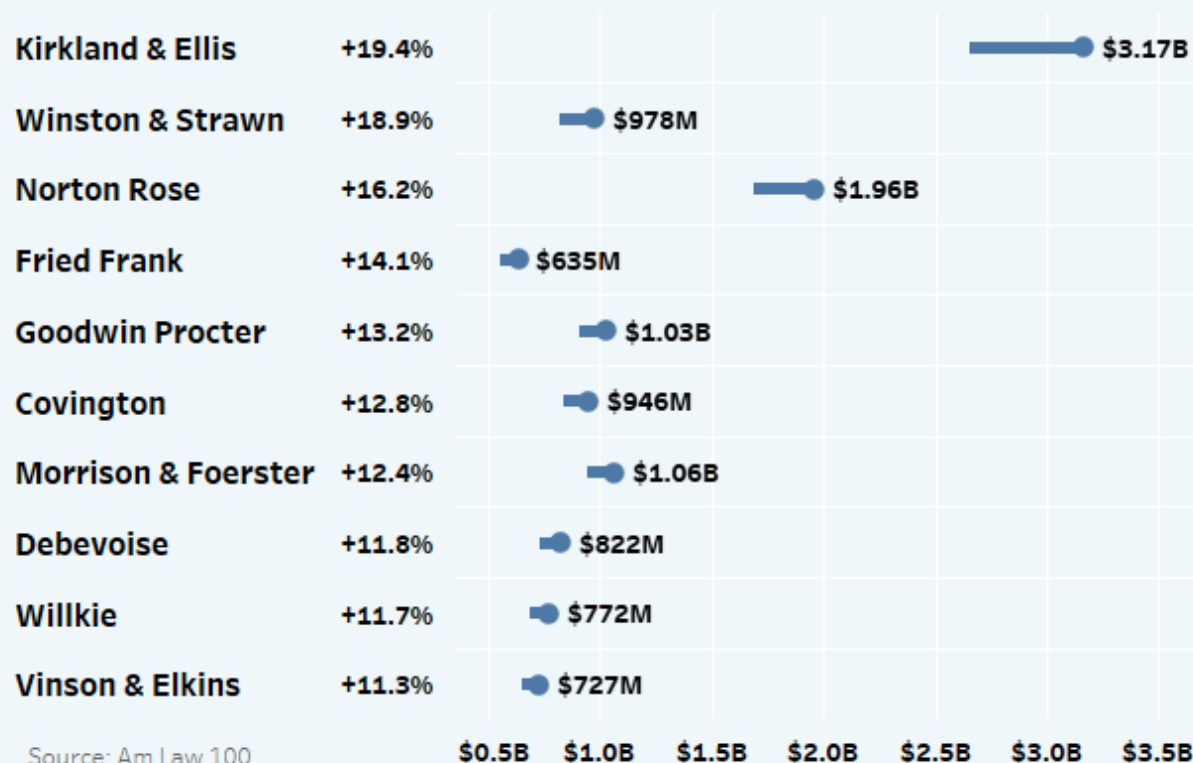
By Aebra Coe

Law360 (April 24, 2018, 9:19 PM EDT) -- In an otherwise positive year for law firm financials, a few firms stood out in 2017 with more drastic increases and decreases in revenue than the rest of the pack, according to the new Am Law 100 report released Tuesday.

Average revenue among the 100 largest law firms in the U.S. grew by 5.5 percent last year, the industry's biggest uptick since the Great Recession, the report by the American Lawyer found. But a few firms departed from the norm, experiencing far more substantial changes in the income they brought in.

Firms With The Largest Revenue Gains In 2017

While the Am Law 100 collectively increased revenue by 5.5% last year, these 10 firms broke away from the pack.



Those firms' revenue fluctuations ranged from a decline of 16 percent to an increase of nearly 20 percent.

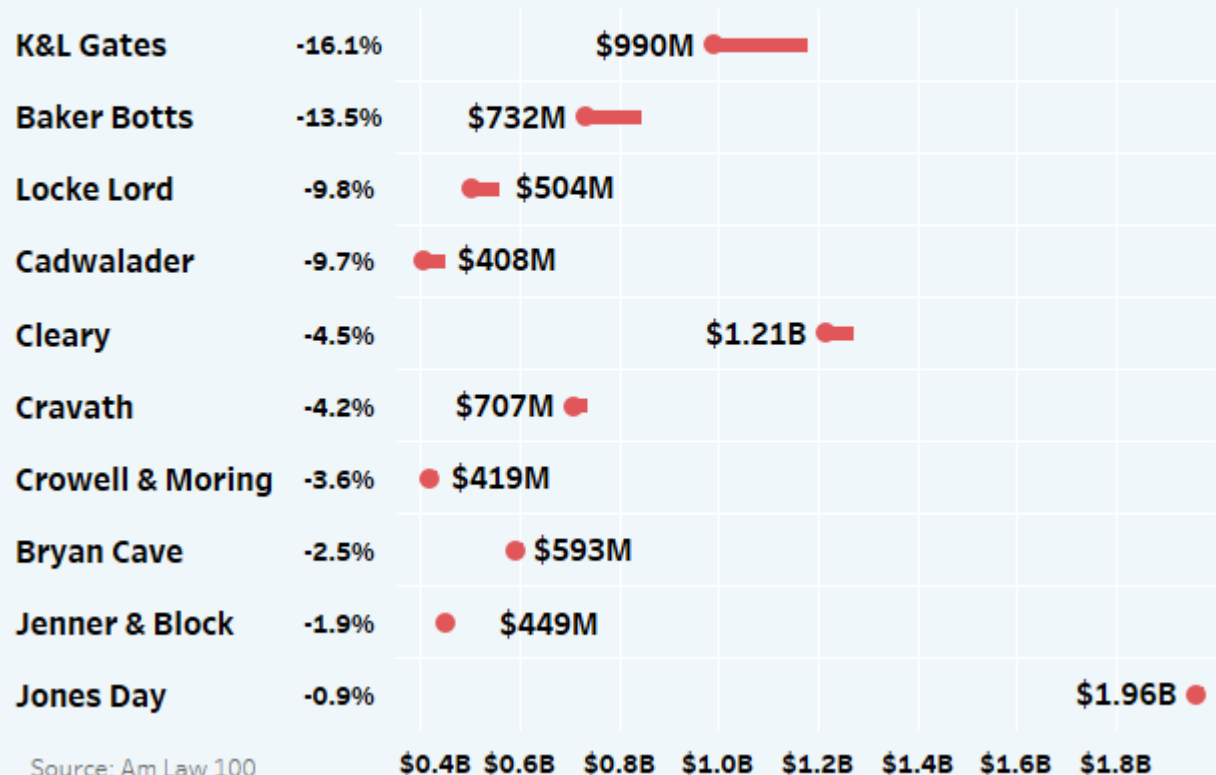
The 10 biggest revenue winners of 2017, measured by percentage increase from 2016, are, in order: Kirkland & Ellis LLP, Winston & Strawn LLP, Norton Rose Fulbright, Fried Frank Harris Shriver & Jacobson LLP, Goodwin Procter LLP, Covington & Burling LLP, Morrison & Foerster LLP, Debevoise & Plimpton LLP, Willkie Farr & Gallagher LLP and Vinson & Elkins LLP.

And the 10 biggest losers on revenue, measured by percentage decrease from 2016, are: K&L Gates LLP, Baker Botts LLP, Locke Lord LLP, Cadwalader Wickersham & Taft LLP, Cleary Gottlieb Steen & Hamilton LLP, Cravath Swaine & Moore LLP, Crowell & Moring LLP, Bryan Cave Leighton Paisner LLP, Jenner & Block LLP and Jones Day.

In a trend that has been reported widely over the past several years, the largest 50 law firms were among those that grew most, while many of those that saw declining revenue were among the second 50 largest, the report found.

Firms With The Steepest Revenue Declines In 2017

Fifteen percent of Am Law 100 firms saw their revenue drop last year. These 10 firms got hit the hardest.



Eight of the 10 revenue winners are among the top 50 and six of the 10 losers rank between 51 and 100.

The Winners

The largest law firm in the U.S. by revenue, Kirkland & Ellis, also grew the most, the report found, leading the pack of revenue winners in 2017 with a 19.4 percent increase over what it achieved in 2016 to nearly \$3.2 billion. The law firm took over the No. 1 spot from Latham & Watkins LLP, which had held it for the past three years.

Kirkland was among just two law firms that made it on the list of the 10 biggest revenue winners in both 2016 and 2017, along with Covington.

Kirkland grew 15 percent in 2016 before this year's substantial increase. The firm declined to comment on the revenue results Tuesday.

Covington's revenue grew by 12.9 percent in 2016 and 12.8 percent last year, bringing its revenue to \$945.5 million and making it the 37th largest law firm in the U.S., the report found.

According to the law firm's chair, Timothy Hester, that growth has been impacted by the law firm's cautious strategy.

"We have followed a very clear strategy for many years that has focused on careful growth that aims to meet the needs of our clients across key practices and geographies," Hester said.

Two law firms saw drastic changes from one year to the next, according to Tuesday's report. Norton Rose, Morrison & Foerster and Debevoise both jumped from the losers list in 2016 to the biggest winners list for last year's revenues.

According to Norton Rose's U.S. managing partner, Daryl Lansdale, his law firm's success in 2017 can be attributed, at least in part, to two combinations the law firm recently completed with 400-attorney Chadbourne & Parke in June and 92-attorney Canadian law firm Bull Housser in September 2016.

"[The combinations] gave us a significant increase in revenue in 2017," Lansdale said. "This expansion enhanced our capabilities on both coasts, which has our client activity reaching new heights so far in 2018."

Morrison & Foerster Chair Darren Nashelsky said his firm's increase in revenues can be attributed to an uptick in demand.

"Our tremendous results in 2017 were driven by the significant demand we saw in both our litigation and transactional practices, and our outstanding work across the firm," Nashelsky said. "A common thread to that success was our banner year working on landmark technology and life sciences matters, as well as our work on high-profile matters in numerous other sectors."

The Losers

The law firm that experienced the biggest percentage decrease in revenue in 2017 compared to the year

before, according to the Am Law 100 report, is K&L Gates. The firm's revenue fell by 16.1 percent to just under \$990 million.

The decline in revenue was a reflection of an extraordinary success fee received by the firm in 2016 that was not repeated in 2017, according to firm spokesman Mike Rick.

"The firm's financial metrics improved in 2017 compared to 2016 on all measures outside of the extraordinary success fee and continue to trend positively," Rick said.

K&L Gates was followed by Baker Botts, Locke Lord and Cadwalader, which saw declines in their revenue of 13.5 percent, 9.8 percent and 9.7 percent, respectively, between 2016 and last year.

Two law firms saw declines in both 2016 and 2017, which landed them on the losers list both years: Locke Lord and Cadwalader.

According to Patrick Quinn, managing partner of Cadwalader, his firm has experienced declines in revenue due to a strategic refocus in which the law firm knew it would grow smaller, noting that while it shrank, other financial metrics showed positive strides.

"Revenue exceeded our own internal projections, with revenue per lawyer up 6 percent and profits per partner up nearly 19 percent to over \$2.5 million," Quinn said. "We were very pleased with our 2017 financials and look forward to another strong year of growth in 2018."

Locke Lord Chair David Taylor was also positive about his firm's financial results.

"We were happy with our overall performance during 2017, and are happy that our budgeted net income and revenue per lawyer were up again. We were able to achieve strong financial results in what continues to be challenging times for law firms," Taylor said.

A few of the law firms on the list saw a decline in 2017, but that dip followed an exceptionally good year for revenue. Baker Botts and Crowell & Moring saw 20.2 percent and 19.7 percent increases in revenue, respectively, between 2015 and 2016, and then experienced a decline last year.

Crowell & Moring Chair Philip T. Inglima said the revenue dip in 2017 reflects fluctuations in the firm's contingency recoveries.

"Unprecedentedly large contingency receipts over the past two years helped drive our recent extraordinary performance, and were understood to be episodic in nature, contributing to fluctuations in profits," Inglima said.

Last year was Crowell & Moring's second most profitable year in history, surpassed only by 2016. 2017's performance outpaced 2015's by 15 percent, Inglima said, and the law firm's overall revenue has grown by 20 percent over the past five years.

10 Years Of Law Firm Revenue Ranking



--Editing by Breda Lund.