

## BigLaw's Biggest Revenue Gainers And Losers In 2018

By **Aebra Coe**

*Law360 (April 23, 2019, 5:05 PM EDT)* -- Five law firms bested the rest of BigLaw in 2018 in terms of year-over-year revenue increases, while five others failed to keep up with the pack in a robust financial year for the legal sector, according to a report released Tuesday.

Aggregate income among the 100 largest law firms in the U.S. by revenue ticked up 8% in 2018, reaching a record \$98.7 billion and exceeding 2017's growth of 5.5%, according to the Am Law 100 report released on Tuesday.

The five law firms that saw the largest increases in revenue as a percentage of their overall income in 2018, according to the Am Law 100, are Nelson Mullins Riley & Scarborough LLP, Foley & Lardner LLP, Kirkland & Ellis LLP, Covington & Burling LLP and Ballard Spahr LLP. The five firms that experienced the biggest declines in revenue are Baker Botts LLP, Cahill Gordon & Reindel LLP, Crowell & Moring LLP, Baker Donelson Bearman Caldwell & Berkowitz PC and Drinker Biddle & Reath LLP.

Ninety-three of the 100 largest law firms experienced revenue growth last year, the report found, with about one-quarter seeing 10% or more in growth. Meanwhile, just seven firms experienced a decline in the money they brought in.

### **The 5 Biggest Gainers**

The friendly business climate in 2018 provided a good deal of opportunity for law firms poised to take advantage of the healthy economic conditions for a growth spurt.

Three of the five firms that saw the largest gains in revenue last year made major acquisitions: Ballard Spahr, Foley & Lardner and Nelson Mullins.

## Firms With The Largest Revenue Gains In 2018

While the Am Law 100 collectively increased revenue by 8% last year, these five firms broke away from the pack.



Ballard Spahr merged with the 136-lawyer Lindquist & Vennum on Jan. 1, while Foley & Lardner inked a tie-up with Gardere Wynn Sewell in March, adding about 230 attorneys. Nelson Mullins nabbed the 160-attorney Broad & Cassel in June.

"In 2018, we successfully opened a Baltimore office, combined with Broad and Cassel in Florida, and continued our ongoing lateral recruiting, all of which resulted in our strong performance," Nelson Mullins managing partner Jim Lehman said. "We are pleased that our growth strategy is bearing fruit as we seek to serve our clients with broader reach and expanded service."

Foley & Lardner CEO Jay Rothman pointed to his law firm's efforts to efficiently integrate after its merger with Gardere when explaining the firm's big uptick in revenue. The combined firm's attorneys' efforts to collaborate with their new colleagues resulted in 125 new matters for clients, amounting to more than 15,000 billable hours served by 16 offices and more than \$10 million in billings, Rothman said.

"At the end of the day the combination was about how we could bring additional services and depth to existing and prospective clients, and we made enormous strides to operate as one firm," he said. "Our lawyers worked together to understand each other's practices, and, following the combination, jointly pitched new business and cross-sold across practices, industries and geographies."

The other two law firms on the gainers list, Kirkland & Ellis and Covington & Burling, have been on major upward trajectories in recent years. The two firms followed up big revenue increases of 19.4% and 12.8% respectively in 2017, with increases of 18.7% and 18.1% in 2018, leading the industry in growth two years in a row.

Covington chair Tim Hester said he believes his law firm's success is tied to the law firm's particular strategy, which he said sets it apart from the competition. The law firm offers a combination of substantive and regulatory expertise and a mix of high-end litigation, corporate, and investigations and white collar practices across multiple continents, Hester said.

"Beyond these practice and substantive strengths, we see increasingly that the most sophisticated clients are focused on our collaborative, team-based culture — and a lack of origination or billing credits — as something that sets Covington apart and delivers higher value to them," he said.

Ballard Spahr chair Mark Stewart said his firm's innovation has contributed to its growth. Last year, the firm rolled out technologies created in-house to increase efficiency and add value for clients, he said.

"It's been a tremendous growth year for the firm, and we are continuing to strengthen both our legal practices and our client support capabilities. That has worked to our advantage as clients are realizing that they can get top talent and not sacrifice responsiveness, innovation and efficiency," Stewart said.

### The 5 Biggest Losers

In a year when more than 90% of the 100 largest law firms experienced revenue growth, a few firms saw a dip in revenue between 2017 and 2018.

Of the five firms that experienced the largest declines in revenue last year, two also posted large declines in 2017: Baker Botts and Crowell & Moring.

## Firms With The Steepest Revenue Declines In 2018

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



Baker Botts' revenue declined by 16.1% in 2017 and 7.3% last year, while Crowell & Moring's revenue dropped 3.6% and 4.2% the past two years, according to Am Law 100 reports.

Both law firms saw multiple partner departures in 2018. For Baker Botts, that included the departure of three attorneys from its Houston office to Shearman & Sterling LLP and Hogan Lovells. And five partners left Crowell & Moring for Troutman Sanders LLP last year.

Drinker Biddle & Reath also saw some partner group departures in 2018, with five leaving for Akin Gump Strauss Hauer & Feld LLP, three for Manatt Phelps & Phillips LLP and three for Cozen O'Connor.

According to Baker Botts managing partner John Martin, the numbers do not tell the whole story about his law firm's financial performance in 2018.

The results were affected by large contingency payments in 2016 and 2017, a slower-than-anticipated recovery in portions of the oil and gas sector, late payments from clients last year, and heavy investments in new talent, he said.

Since January 2018, the firm has added 26 new lateral partners and promoted 23 new partners, something Martin said demonstrates the firm's "continued investment and confidence" in its future.

"Baker Botts has a 179-year history of service to our clients, and one of the lessons we have learned is to not obsess about short-term fluctuations in financial results," he said. "We take the long view."

Crowell & Moring chair Philip T. Inglima also pointed to large contingency fees in 2016 and 2017 when explaining the law firm's decline in revenue last year. Over the past five years, the firm has experienced total revenue growth of 12%, from \$359 million in 2013 to \$401 million in 2018, Inglima said.

"This year is all about growth. We've made significant lateral acquisitions in the U.S. and London, and we continue to help our clients tackle and embrace the challenges and opportunities presented by the digital transformation," he said.

Drinker Biddle released a statement Tuesday, saying its revenue decline in 2018 followed three consecutive years of record-breaking financial results.

"We understand the interest each year in the Am Law 100 snapshot, but it is just that — a snapshot. Our firm looks at long-term investment and growth," the statement said.

Baker Donelson chairman and CEO Timothy M. Lupinacci said his law firm has evaluated particular practices and adjusted its position to align with client demand, creating a new strategy for the 2019 fiscal year and the future.

"Our firm has made several strategic adjustments to be among the best-run, business-like law firms in the country," Lupinacci said.

--Editing by Amy Rowe.