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Law Firm Competition Intense For M&A Deals In Texas

By Claire Poole and Mark Curriden

(April 16) – There’s something happening here, and what it is is perfectly clear.

The Texas Lawbook’s 2017 Corporate Deal Tracker results for M&A dealmaking are final. Many of the perennial Texas law firms continue to occupy the top 30 list of legal advisors handling mergers, acquisitions, joint ventures and divestitures, but a realignment is unmistakably underway.

To no one’s surprise, Vinson & Elkins continues its reign at No. 1. Baker Botts, Jones Day, Latham & Watkins, Kirkland & Ellis and Akin Gump are in the top 10.

But the exclusive new Corporate Deal Tracker data reveals two shocking numbers:

- Sidley Austin, which ranked 14th in 2016, tripled the number of deals their Texas lawyers handled in 2017 and jumped to No. 2 on the charts; and
- Andrews Kurth Kenyon, which merged last month with Hunton & Williams, wins the comeback of the year honors. Texas lawyers at AKK increased their deal count by more than 50 percent and jumped to No. 3 in the Corporate Deal Tracker rankings.

Gibson, Dunn & Crutcher jumped from 23rd in the M&A rankings in 2016 to 12th in 2017. King & Spalding debuted on the Corporate Deal Tracker list at 20th.

Several of the Texas-headquartered law firms – Bracewell, Haynes and Boone, Jackson Walker, Kelly Hart & Hallman, Locke Lord and Porter Hedges – had solid years working on corporate dealmaking.

The news is not positive for all firms. A handful of corporate practices, including Norton Rose

Fullbright, Gardere and Baker McKenzie, reported significantly fewer transactions.

The Corporate Deal Tracker calculates M&A deals handled by lawyers who are based in Texas without regard to whether the deal involves companies based in-state or the other side of the globe. The purpose of the Corporate Deal Tracker is to document corporate transactional work being done by lawyers in Texas.

One clear trend is evident in the 2017 Corporate Deal Tracker data: Large national law firms moving into Texas are stealing away more and more high-paying legal work on corporate mergers and acquisitions. Until recently, the M&A practice was overwhelmingly the domain of law firms headquartered in Houston, Dallas and Austin.

More than half of the 30 corporate law firms doing the most M&A in Texas are based outside of the state.

Lawyers working in the Texas offices of national law firms handled 374 corporate transactions valued at more than \$290.9 billion in 2017, which is more than double the deal count for those law firms in 2015, according to Corporate Deal Tracker data.

Texas lawyers for Sidley, Latham, Kirkland, Gibson Dunn and Simpson Thacher – five law firms that did not have corporate transactional lawyers practicing in Texas just seven years ago – worked on 251 corporate transactions in 2017 with a combined price tag of \$167.7 billion – up from 103 deals in 2015.

The M&A numbers show that the strategy of large national law firms to open or expand operations in Austin, Dallas and Houston by raiding the ranks of Texas legacy firms is having significant success. Corporate general counsel are clearly

M&A DEAL COUNT BY LAW FIRM

VALUES IN MILLIONS

Rank	Firm	2017		2016		2015	
		Deal Count	Value*	Deal Count	Value*	Deal Count	Value*
1	V&E	105	\$72,576	109	\$91,832	91	\$87,194
2	Sidley Austin	89	\$26,746	31	\$28,319	22	\$15,521
3	Andrews Kurth	73	\$52,408	48	\$12,221	73	\$85,362
4	Jones Day	67	\$77,224	73	\$96,160	32	\$23,447
5	Latham & Watkins	63	\$48,630	48	\$55,133	45	\$125,148
6	Locke Lord	57	\$11,450	49	\$9,228	35	\$18,507
7	Baker Botts	56	\$62,199	50	\$37,762	47	\$85,548
8	Jackson Walker	53	\$3,992	44	\$3,237	26	\$1,336
9	Haynes and Boone	45	\$10,729	32	\$755	40	\$6,196
10	Kirkland Ellis	43	\$59,444	45	\$75,845	25	\$29,491
11	Akin Gump	43	\$31,931	45	\$23,359	55	\$36,281
12	Gibson Dunn	41	\$9,504	5	\$546	5	\$59,100
13	Thompson & Knight	38	\$12,806	33	\$14,016	35	\$17,857
14	Bracewell	37	\$50,578	36	\$31,030	55	\$39,755
15	Weil	19	\$8,960	26	\$48,659	4	\$24,700
16	Kelly Hart	18	\$12,008	2	\$1,580	-	-
17	Norton Rose Fulbright	16	\$2,729	45	\$8,216	48	\$8,000
18	Simpson Thatcher	15	\$23,344	5	\$58,400	6	\$110,190
19	Gardere Wynne	15	\$189	25	\$807	2	\$175
20	King & Spalding	13	\$16,864	25			
21	Porter Hedges	11	\$3,240	10	\$3,082	3	\$674
22	Skadden Arps	8	\$13,829	4	\$6,720	2	\$4,630
23	Baker McKenzie	6	\$1,595	14	\$3,069	11	\$19,296
24	Winstead	4	\$680	7	\$650	20	\$595
30	Willkie	3		5	\$500		-
25	Orrick	2	\$2,100	2	\$507		
26	Frost Brown	1	\$2,000		\$2	2	
27	DLA Piper	1	\$565	2	\$3,310	1	\$20
28	Paul Hastings	1	\$102	4	N/A	12	\$13,940
29	Munsch Hardt	1	\$80				
30	Fenimore	1	\$25	18	\$625	15	\$394
31	Sutherland	1		1	\$103	2	\$495
32	Strasburger	1					
33	Morgan Lewis			3	\$435	2	\$126
34	Carrington Coleman			1	\$513		
35	Kemp Smith			1	\$2,500		
36	Wick Phillips			2			

* Values as reported. Do not include confidential transactions Source: The Texas Lawbook Corporate Deal Tracker

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staying loyal to individual lawyers even when those attorneys jump to new firms.

To be sure, Texas-based law firms are still doing a lot of transactions for their long-term clients.

Lawyers for Houston-based V&E continue to handle by far the most M&A deals in the state, which is the result of the firm's deep roots and connections in the oil patch and the fact they simply have so many more corporate transactional lawyers in Texas than every other law firm.

The Corporate Deal Tracker shows that V&E lawyers in Texas advised businesses involved in 105 M&A deals in 2017 valued at a combined \$72.6 billion. V&E's deal count is 18 percent higher than any other law firm operating in the state, but it is 4 deals less than the firm handled in 2016.

In an interesting twist, the Texas lawyers at AKK went out with a bang. AKK corporate partners worked on 73 transactions valued at \$52.4 billion in 2017 – up from 48 deals in 2016, a 50 percent jump.

Baker Botts and Locke Lord are examples of trends in the Texas legal market. Both firms actually increased the amount of M&A their Texas lawyers handled in 2017, but both dropped in the rankings because out-of-state firms grew faster.

M&A lawyers in Baker Botts' Texas offices handled 56 deals with a combined price tag of \$62.2 billion – a 12 percent improvement over 2016. Locke Lord's Texas lawyers increased their total deal count from 49 in 2016 to 57 last year.

But Baker Botts dropped from third in 2016 in the Corporate Deal Tracker rankings to seventh in 2017, while Locke Lord went from fourth to sixth place.

Texas lawyers for Jackson Walker and Haynes and Boone increased their deal count numbers and moved up in the Corporate Deal Tracker rankings. Jackson Walker, which has no offices outside of Texas, worked on 53 corporate transactions in 2017 – a 20 percent jump from

a year earlier. Haynes and Boone increased its M&A deals from 32 in 2016 to 45 in 2017.

By far the biggest surprise in the Corporate Deal Tracker 2017 law firm numbers belongs to Sidley, which has emerged as a serious challenger to V&E for the top spot. Sidley lawyers in Texas worked on 89 deals valued at \$26.7 billion – up from 31 transactions in 2016, a 220-percent increase. Sidley, it should be noted, poached five deal attorneys from Andrews Kurth Kenyon last year and have stolen more than a dozen corporate lawyers from Weil, V&E and Akin Gump during the past few years.

Jones Day claimed the top spot for deal value in 2017. The global law firm handled 66 transactions worth \$77.2 billion. Jones Day partner Alain Dermarkar of Dallas represented Reynolds American on its \$49 billion sale to British American Tobacco in January 2017, which was the largest transaction led by a Texas-based lawyer last year.

Los Angeles-founded Gibson Dunn, which boosted its ranks last year by hiring six deal attorneys from Baker Botts in Houston, jumped from five deals in 2016 to 41 transactions valued at \$9.5 billion last year, according to the Corporate Deal Tracker.

Latham lawyers in Houston also posted a fantastic M&A year. Latham, another firm founded in Los Angeles, increased its 2017 deal count by 31 percent, from 48 transactions to 63.

New York-based Simpson Thacher tripled the number of deals its Texas lawyers handled – 15 last year compared to five in 2016.

There are multiple explanations for dramatic increases in M&A activity by certain law firms – ranging from a healthy deal market in Texas and companies hiring multiple law firms to handle complex transactions to more aggressive reporting of transactions by the law firms to the Corporate Deal Tracker.

The trend of national law firms advising in a growing number of deals is confirmed by new separate data by Mergermarket provided



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exclusively to The Texas Lawbook.

Mergermarket reports that Kirkland represented Texas-based companies in 16 transactions during the first quarter of 2018. V&E was second with a dozen deals. Weil, Gotshal & Manges advised 11 Texas companies and Jones Day handled nine transactions for Texas companies.

Kirkland also became the first non-Texas firm in 2017 to be number one in Mergermarket's annual M&A rankings of firms representing Texas businesses in M&A activity. Mergermarket, which collects its data separately, showed Kirkland advised Texas companies in 82 deals last year. V&E was second with 68 and Latham came in third with 55.