

FEATURES

Achtung! Latham is Taking Market Share in Germany

Three years ago the firm said it wanted to be on a par with the German corporate heavyweights by 2020 - rivals fear it may soon achieve its aim.

By Hannah Roberts

Three years ago, Latham & Watkins' then-Germany managing partner Oliver Felsenstein said that by 2020, he wanted Latham to be viewed as the top firm in Germany for high-profile, cross-border work.

"The test for me will be when I ask 10 people which law firm they regard as the best in Germany and the majority say Latham," he said at the time.

With 2020 just a few weeks away, Law.com International's Legal Week decided to ask 10 German practitioners exactly that.

The results were perhaps not exactly what Felsenstein would have wanted, but they were not far off.

Though the majority felt Latham has not yet gained the same market recognition as Hengeler Mueller and Freshfields Bruckhaus Deringer for general corporate and M&A work, nearly all of the rival and former part-



Berlin, Germany

ners spoken to said Latham is either equal or close to the elite duo in private equity.

One senior partner at a Magic Circle firm went so far as to say that Felsenstein "has brought Latham up to be among the top five law firms in Germany, especially in private equity where he has done a tremendous job".

"[Felsenstein] has brought Latham up to be among the top five law firms in Germany."

"I think in the private equity space they've gone a long way," says another Magic Circle partner, while an ex-Latham partner adds that the firm is "in the same bracket as Hengeler and Freshfields" for private equity.

Felsenstein says that he believes the firm has become a leader in Germany, saying: "In areas like corporate and M&A we still need to make progress, but in others like private equity, capital markets, and debt finance, we think we are well ahead of our competitors. In litigation, while there is room to improve, we also think we are about there."

Progress

High-profile hires for the firm in recent years have included Linklaters' German head of private equity Rainer Traugott and Felsenstein's former Clifford Chance private equity colleague Burc Hesse in Munich, adding to what one rival partner called "an all-star private equity team".

In M&A, meanwhile, the firm has brought on board Linklaters M&A partner Nikolaos Paschos and Freshfields M&A partner Tobias Larisch in Duesseldorf in the last two years.

Back in February, Latham Duesseldorf M&A partners Paschos and Larisch took roles alongside the firm's London teams to advise funds controlled by Hellman & Friedman and Blackstone Group on an offer to take over digital

classifieds group Scout24 in a deal that would value the company at €5.7 billion and mark it as the largest ever public-to-private deal in Germany.

And in April, a cross-border Chicago and Hamburg Latham team

"Everyone wonders what will happen if the M&A market goes down"

advised technology company ZF Friedrichshafen on its \$7 billion acquisition of vehicle control systems company WABCO.

The corporate department – which includes M&A, private equity and capital markets – makes up roughly 50% of the firm's German practice, Felsenstein says.

Downturn Risk

Despite its progress, some partners at rival firms believe Latham would struggle to support the partnership across its four German offices if the market turned sour.

After all, the firm's characteristically high charge-out rates may look out of place in Germany, where the general billing rates are much lower, should a downturn emerge.

With so many mouths to feed, both in core practices areas and ancillary ones such as employment and data protection, and

in a partnership that is not full equity, some wonder how the firm competes with the boutique firms in the market while not diluting the profitability in what one former partner calls "a very performance-oriented culture".

"Everyone wonders what will happen if the M&A market goes down," another partner says. "The real test is how sustainable this is if you have one or two bad years."

But he adds: "To do them justice, they have a pretty broad practice by now so I wouldn't think they're doomed to go under because I think they're broad enough to compensate in other areas."

Felsenstein says that despite fears of a downturn on the horizon, the firm wants to focus on transactional work as "that's the crown jewel of our work" and that the market shouldn't expect to see them shy away from M&A work in Germany any time soon.

He adds that the firm has grown its restructuring and litigation practices, which he says will better hedge the firm in the event of a recession. In August, partners from the firm's London, Hamburg and New York offices advised retailer Steinhoff Europe on its

€9 billion restructuring.

Felsenstein adds that the firm uses staff from more than one office on “maybe 95%” of its work. “When we are able to cross-sell our German clients to the whole network, that’s how we can measure our success.”

“In terms of profitability, we are maybe more efficient than other firms, so we don’t think that’s a problem for us,” he adds.

American invasion

One partner at a U.S. firm says that Latham’s growing reputation in the wider German corporate market is indicative a wider trend of the increasing influence of U.S. firms in the country.

“Generally speaking, the top firms have always been Freshfields and Hengeler,” the partner says. “It’s been that way I think for the last 25 years, and that has not really changed much.

“What has changed is that in the past they had been dominating the market - this is not really the case anymore. Recently you have seen a trend of U.S. firms getting a share of the work that was previously only being held by Freshfields and Hengeler.”

Another person working in the German legal market said that Latham “definitely has best U.S. firm brand in Germany”.

“Everybody is betting that they get the deals, because they now have the connections here and internationally. It is the most suc-

cessful story by far in terms of the U.S. firms.”

While an ex-partner agrees that

“Recently you have seen a trend of U.S. firms getting a share of the work that was previously only being held by Freshfields and Hengeler.”

“Latham does not have as good a reputation as Hengeler in the corporate sphere”, he says that it does have a “very strong” acquisition finance group, with several other partners saying that they have been particularly impressed by the efforts of Frankfurt-based partner Alexandra Hagelüken in that area. Others add that the firm’s German high yield practice is also seen as a strong performer for the firm.

Yet there remains disagreement about where Latham can go from here though. One person said that the key to success in Germany for the firm was to expand beyond expertise in a select few areas.

“They need to look at the broader practice,” they say. “You can’t get to the top without that - that’s something they need to check. We hear from clients that it’s not the complete spectrum. They give great advice but its niche.”

Felsenstein responds: “We need certain support areas, but we would not consider ourselves full-service. Our aim is not to have the best employment practice in

Germany. It’s more full-service in terms of supporting our core services.”

Either way, in what is a crowded market, one partner says that the firm deserves a lot of credit for its work in building the firm’s reputation in Germany, saying : “The jury’s still out on them being the best, but they’ve made enormous progress.”

Hannah Roberts joined Legal Week in May 2018 after finishing her degree at Kingston University. Her areas of focus are corporate, M&A, private equity and restructuring at UK and City-based US law firms.