

Latham & Watkins LLP

How Latham & Watkins conquered the City of London

US law firm is winning coveted mandates for blue-chip clients in Britain



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SUZI RING - LONDON

When capital markets lawyer Mark Austin, a lifer at “magic circle” law firm Freshfields Bruckhaus Deringer, moved to US rival Latham & Watkins last year, the industry sat up and took notice. While the Los Angeles-founded firm has been hiring aggressively from London’s elite for years, poaching Austin, a sometime government adviser with a role on the listings of companies from Deliveroo to Aston Martin, was a demonstration of how far Latham had come in its effort to dominate in the City, according to competitors and recruiters.

“To get the guy who has the longest IPO list in the country and is now synonymous with the capital markets through his work with the government . . . was a big hire,” said a longstanding partner at one of the UK-headquartered “magic circle” firms, US-headquartered law firms have been steadily growing their footprints in the City over the past 15 years, a trend that has accelerated post-Brexit as a weaker pound has increased the buying power of their American clients. While rivals such as Kirkland & Ellis have focused on the flow of private equity money pouring into the UK, Latham has tried to broaden its client base by pushing further into coveted work for blue-chip corporates.

The world’s second-biggest law firm by revenue has more than doubled in size in the UK in the past decade, to about 550 lawyers, and appeared on a string of big UK deals in recent months. Those have included advising UK cyber security company Darktrace on its £4.3bn takeover and Apollo on its financing of a \$1.5bn bid for Hipgnosis Songs Fund, later trumped by Blackstone.

Latham’s aggressive growth has also helped the firm win key appointments to panels — a company’s list of preferred advisers

— for which it would once never have been considered, according to headhunters and current and former partners. A turning point came when it won a slot on the Vodafone panel in 2021, and last year it was added to mining company Anglo American’s roster. It is not advising the miner on the current takeover approach from rival BHP.

“The firm’s appointment to Vodafone’s panel was a watershed moment,” said Siobhán Lewington, a partner at legal recruiter Macrae. “[Latham] now goes head-to-head with the magic circle for complex M&A mandates.”

In the past three years, Latham has moved from tenth to third in a

ranking of legal advisers acting on UK M&A, according to Dealogic, and counts FTSE 100 names such as BP and GSK, along with London Stock Exchange, among its big UK clients.

Information about Latham’s clients were provided by people with knowledge of the US firm’s roster, who did not want to be identified because many of the names are not public. The firm declined to comment.

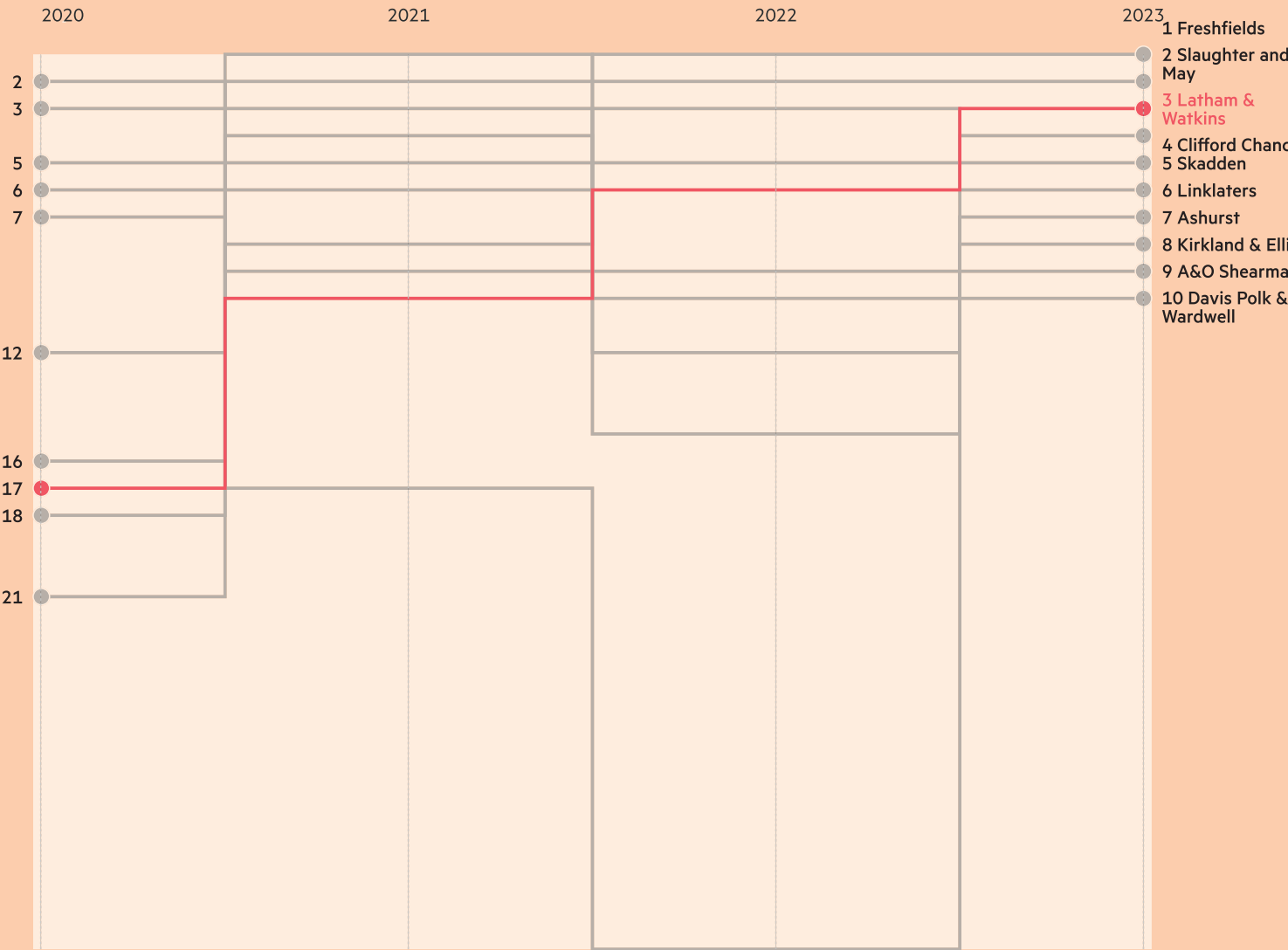
Latham’s City land grab has seen it poach at least 15 partners — more than 10 per cent of its total partnership in London — from rivals over the past three years. The spate of hires from magic circle firms has earned it the nickname “Linklaters

2.0”, according to one headhunter. The growth means Latham is the biggest US heritage firm by headcount in the UK, where it has had an office since 1990, according to data from industry publication Law.com.

As with many US outfits, Latham’s deep pockets are part of that attraction. Law firm partners share in a firm’s profits, with American groups tending to operate more freewheeling systems than their British peers by offering outsized rewards to star performers. Equity partners at Latham took home \$5.5mn last year on average, according to Am Law, but top lawyers can make as much as \$20mn

Latham & Watkins moves sharply up in the UK M&A rankings

Position by year



with bonuses, a person familiar with the matter said.

Partners with a stake in the firm are paid in shares, or “equity points”, along a closely guarded scale of 300 to 900. Each point can be worth many thousands of dollars, according to current and former partners, depending on annual profits, and lawyers can move up and down the scale each year depending on the extent to which they win and hold on to clients.

The US behemoth recorded UK revenues of £583mn in 2022, according to the most recent complete set of data from The Lawyer magazine, making it the highest-grossing US-headquartered law firm in the City and fourth overall, beating magic circle rivals Freshfields and Slaughter and May.

The hiring of rainmakers such as

Austin and Latham’s global vice-chair of M&A Sam Newhouse, who also joined from Freshfields in 2020, has been core to the firm’s growth. Newhouse co-led the team advising the consortium led by US businessman Todd Boehly on the acquisition of Chelsea Football Club in 2022, the same year he advised gambling group 888 on its £2.2bn acquisition of William Hill’s international business.

Latham does not disclose details about its pay scale, profit per equity partner or London revenues and declined to comment on the numbers the Financial Times provided.

Among the firm’s selling points in London is a broader offering than many of its rival US firms, with practices covering antitrust, employment, intellectual property

and tax, as well as a sizeable litigation arm and a large international network of offices.

“One of our aspirations was always to be able to compete in this market to the highest level and not just be a service practice to the US,” said Stephen Kensell, Latham’s managing partner in London. “And that’s what we’re doing.”

Kensell pointed to the firm’s role on the Chelsea deal as an example of the progress Latham has made: “It is inconceivable that a firm like us would do that a few years ago – that’s a magic circle heartland deal,” he said.

Big mandates and high pay come with big expectations, however. Partners and associates alike in the main were expected to bill a minimum of 1,900 hours a year, current and former Latham

partners said, a sum that does not include the time spent drumming up business. Some partners record more than 3,000 hours annually, and the targets mean people were less inclined to share work even when it was not in their wheelhouse, two former partners said.

“[The reality is] if you have not comfortably exceeded [1,900 hours] it will go through as a black mark against you,” one former partner said. “[The] whole model incentivises bad behaviour . . . [you get] people sitting on calls unnecessarily and billing for it.”

The focus on corporate, M&A and finance work also meant a lot of the other practice areas were treated as “corporate support”, one ex-partner said. The firm has lost several partners in London from its litigation and antitrust practices in the past year.

Longtime partners at UK magic circle firms acknowledged Latham’s success in the UK but thought it had taken them a long time to compete.

“As I look across the market, it’s got to be right that they are making progress, but it’s relatively slow so far,” said one veteran magic circle partner. “But they would probably say ‘We always knew it would be slow and that’s fine’.”

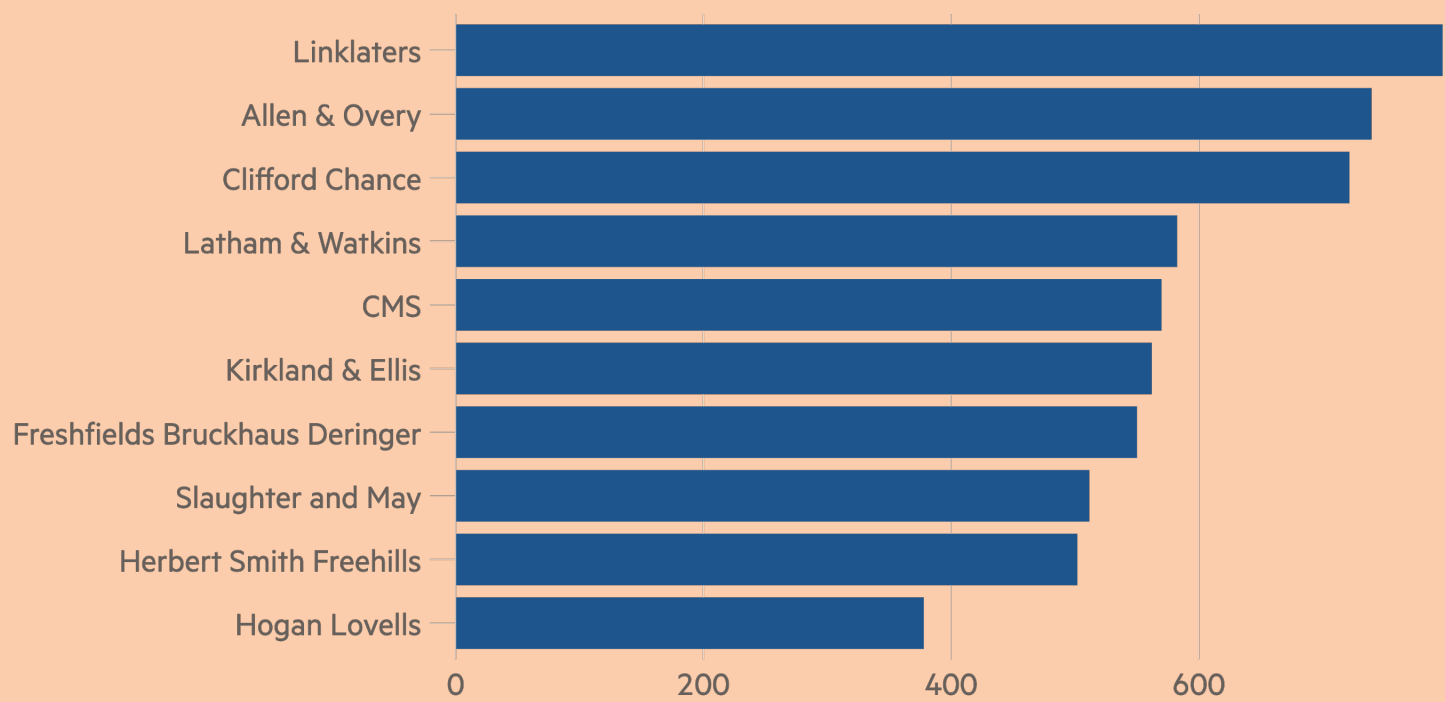
Part of Latham’s drive is a fierce competition with rival Kirkland, according to former partners, which became the first law firm globally to surpass \$7bn in worldwide revenues last year. Both firms have a similar headcount in London.

Newhouse said competition was “good . . . you want to make sure everyone stays super hungry”. And the strategy is not finished – the firm has just hired three finance partners from Cahill Gordon & Reindel, all former magic circle lawyers from A&O Shearman, according to people with knowledge of the situation.

Speaking to the FT, Mark Austin said: “There’s a real insurgent mindset here, a culture of restless ambition, entrepreneurialism and hustle that I love.”

Latham is the highest-grossing US law firm in the UK

Global law firms' UK revenue



2022/23
Source: The Lawyer
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