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Revenue Rises Again at Sheppard Mullin, Along With Demand in Countercyclical Practices

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What You Need to Know

- Sheppard, Mullin, Richter & Hampton posted positive financials in 2023 as demand rose in practices including litigation, investigations and bankruptcy.
- Even with a slight dip in the number of equity partners, profits per equity partner rose by 10.1%
- The firm is looking to expand in several markets by hiring laterals or groups.

Continuing a long streak of rising revenue, Sheppard, Mullin, Richter & Hampton also posted significantly higher profits in 2023, when profits per equity partner improved by 10.1%, as the firm adjusted from a decade-long boom in transactional practices to more work in litigation, investigations and bankruptcy.

“Our results are a continuation of our culture, our practice mix and our discipline. We have a very consensus-driven and collaborative partnership. It’s a large tent that allows us to pivot,” said Sheppard Mullin chair Luca Salvi.

Marking 32 years of consecutive top-line growth, revenue improved to \$1.121 billion in 2023, up 6.5% when compared with \$1.053 billion in 2022. With 2.6% more lawyers, revenue per lawyer was \$1.203 million, up 3.8% from \$1.159 million the year before.

Net income was \$388.3 million in 2023, an increase of 8.8% when compared with \$357 million in 2022. The equity partnership declined marginally by 1.2%, and profits per equity partner hit \$2.325 million, up 10.1% when compared with \$2.112 million the prior year.

The positive 2023 financial results follow mixed results in 2022, when revenue grew by 4.8%, but growth in lawyer head count resulted in a 6.5% drop in PEP and a 1.3% dip in net income.

The firm had 932 lawyers in 2023 on a full-time equivalent basis, an increase of 2.6% from 909 in 2022. Equity partners totaled 167, down 1.2% from 169 the year before, and the number of nonequity partners was unchanged at 235 on an FTE basis.

Salvi said the firm is one in a small group with consistent year-over-year revenue growth, which he said the firm accomplishes by “staying close to our clients, responding to demand, collaboration and continuing to grow.”

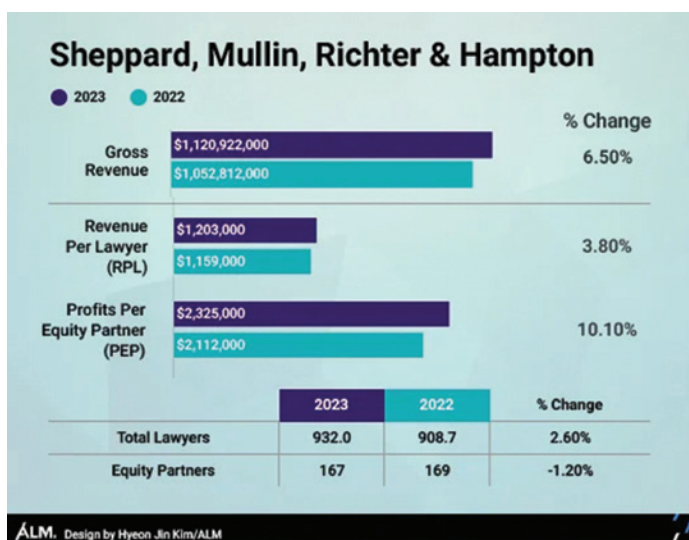
Demand shifted in 2023 away from transactional practices to litigation, investigations, bankruptcy, real estate, restructuring and regulatory, the chair said.

Among significant matters in 2023, the firm represented Lionsgate in its \$375 million acquisition of content platform eOne from Hasbro; Octo Consulting Group, a portfolio company of Arlington Capital Partners, in connection with its \$1.3 billion sale to IBM; Ardian and its North American Fund team in acquiring a majority stake in Tom Barrow Co.; and



Luca Salvi, chairman of Sheppard Mullin.

Courtesy photo



ChenMed, a senior-focused, global risk payment primary care provider, on its new national, five-year agreement with Humana.

In the energy sector, Sheppard Mullin advised Wells Fargo in connection with a \$431 million tax equity commitment to finance Arevon Energy's \$1.1 billion Eland 2 solar-plus-storage project in Kern County, California; led Invenergy's first tax credit transfer transaction following the passage of the Inflation Reduction Act of 2022 for an Invenergy-led consortium's \$1.5 billion purchase of American Electric Power's unregulated renewables portfolio; and led the first-of-its-kind transfer agreement on behalf of Avangrid for an estimated \$100 million of 2023 production tax credits from eight operating wind farms to Vitol.

The firm also obtained a landmark victory in the U.S. Court of Appeals for the Federal Circuit on behalf of a group of health plans and insurers and vacated a \$185 million fee award the U.S. Court of Federal Claims had granted to class counsel Quinn Emanuel Urquhart & Sullivan; and successfully represented Kiromic BioPharma in litigation spanning three years and an appeal to the Delaware Supreme Court in connection with a former company director's suit over stock option contracts.

The firm manages its expenses prudently, Salvi said, investing in priority practices guided by the firm's strategic plan. As for billing rate increases, he said the firm raises were consistent with the market.

The firm is happy with its existing geographic footprint of 16 offices, and isn't looking to add offices

in the near future. However, Salvi, who is based in Washington, D.C., said growth is likely to continue in offices including Houston, Dallas, Chicago, and the Silicon Valley.

Growth in 2024 will continue through cherry-picking, but also by "creatively and aggressively" going after teams of lawyers, he said. As for a merger, the firm is "not actively looking to do any kind of transformational combination or acquisition," Salvi said.

He notes that the firm's retention rate for lateral partners over five years is 94%, Salvi said.

"That for us is something that really matters. We want people who are going to come and build their careers," he said.

With the firm's hybrid schedule, lawyers are expected to work at least three days in the office, with Wednesday as the firmwide anchor day. Salvi said the firm wants to provide flexibility, but also provide training and mentoring for the next generation of lawyers.

Internationally, Salvi said there was a lot of activity in the Seoul office, but less in Shanghai, because of geopolitical conditions. Activity was also strong in Europe as well, he said, and lawyers in London and Brussels are driving relationships and client business to the U.S.

Among numerous pro bono matters, the firm secured court approval of a historic settlement agreement that will make the New York City subway at least 95% accessible for more than half a million people with disabilities who cannot use stairs. The firm also aided Afghans settling in the country.

As for 2024, Salvi said the firm so far has a lot of business across its platform, not just in areas that were busy in 2023.

"While I expect 2024 to be very different from 2023, in some ways we are seeing economic indicators suggesting there has already been a change. We are already seeing some sectors, for example transactions, getting more active," he said.

The firm is focused on growth, working on securing marquee engagements and institutionalizing clients, he said. It is focused on middle- and upper-market clients.

"We are very optimistic and bullish about the rest of the year," Salvi said.