

Defending against the New York giants

Four Chicago offices show their blueprints for keeping Illinois' big-time M&A business away from East Coast competitors

By Roy Strom

Here's a fact: Since 2009, only 34 different law firms have appeared in Mergermarket's top 20 rankings for global legal advisers when ranked by the total value of the deals they worked on that year.

Now, a question: Of those 34, how many have an office in Illinois?

Go ahead — guess.

The answer is six. And one of those firms was the now-defunct Dewey & LeBoeuf. Six out of 34. A bit more than 18 percent.

"The New York firms dominate, and they always have," said Ward Bower of Altman Weil. "And I don't think anything is on the horizon that will change it."

There's no question that New York's white-

shoe firms have a stranglehold on the global market for advisory work on M&A transactions, strengthened by their relationships with financial advisers and experience. But what about the local business? Who's sitting at the deal table with the biggest companies from Chicago and the suburbs?

An analysis of Thomson Reuters data shows





(From left) Scott Falk, Kirkland & Ellis; Brian Duwe, Skadden; and Olivia Tyrrell, Baker & McKenzie. Photos by Lisa Predko.

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that in a record year for mergers and acquisitions, a small number of Chicago practices beat out New York competition for that lucrative work. Chicago-based lawyers at Kirkland & Ellis, Skadden and Sidley Austin combined to advise Illinois companies on six of the 10 largest local deals during the 12 months ending October 2015. Of the 20 local companies involved in the biggest deals, 12 hired local lawyers.

When the firms on the Thomson Reuters' list are ranked by the value of the deals they advised on, the scorecard reflects the fact that Chicago's top deal-making lawyers compete directly with New York firms. New York-based Davis Polk led all firms, advising on nearly \$120 billion worth of deals, followed closely by Kirkland, whose New York and Chicago offices combined to represent companies in deals worth nearly \$117 billion.

New York firms displayed the clearest advantage when working on megadeals. The 10 most active firms without a Chicago office worked on deals worth a combined \$572 billion. The 10 most active firms with a Chicago presence worked on deals worth a combined \$393 billion, despite counting nine more deals to their credit.

Lawyers from major M&A practices in Chicago all agreed that they compete with New York lawyers for the big-time fees that accompany big-ticket M&A work. Many of them noted the advantage New York firms have from being tied-in to the financial adviser community that advises on deals. Often, those financial firms select the lawyers.

Without that built-in network, Chicago's M&A practices have grown up differently. Most of them have deep relationships with the city's largest companies. But an analysis of four local M&A practices — at Kirkland, Skadden, Sidley and Baker & McKenzie — shows firms compete for deals on a variety of levels. The firms benefit from a mix of brand prestige, long-standing client relationships and by stressing their firm's breadth. Even so, the competition is steep.

"It's really hard to build a corporate practice that competes with New York firms," said Kent Zimmermann of the Zeughauser Group. "There is just a huge amount of competition for the talent. And then there's this issue: Nobody ever got fired by hiring Skadden."

CHI to NY: Kirkland & Ellis

Scott Falk was quite possibly the busiest Chicago dealmaker at the city's busiest deal firm in the year ending in October.

Fresh from advising pharma giant Baxter International on the spin-off of its biosciences division, which became Baxalta, the Kirkland & Ellis partner defended the fledgling company against a \$30 billion-plus hostile takeover bid from Ireland-based Shire Plc.

He teamed up to lead that effort with New York colleague Daniel Wolf, in a move that highlights the increasing collaboration between Kirkland's New York and Chicago offices. The firm's New York-based public company transaction team has helped it move up the deal charts over the past five years.

That can be seen in the Thomson Reuters data, which shows



Scott Falk, Kirkland & Ellis.

a number of Kirkland deals led by New York lawyers, including the representation of 3G Capital and Heinz in its acquisition of Kraft. That deal, the biggest Illinois deal in 2015, helped Kirkland advise on the second-highest dollar volume of deals that included an Illinois company, \$117 billion. It also advised on the most such deals, 15.

“It’s not just the new York office that has benefited from the growth of M&A work in New York,” Falk said. “The entire firm has. And certainly, in Chicago, the quality of the brand continues to be very well-regarded and continues to grow in its appeal and that helps all of us in attracting more and more complex and high-profile deal work.”

In one of the highest-profile deals of the past year, Falk represented Molson Coors Brewing Co. in the roughly \$12 billion purchase of Chicago’s MillerCoors, giving the Colorado-based company control over brands such as Miller Lite and Pilsner Urquell. That sale was driven by antitrust concerns created by AB InBev’s \$106 billion purchase of SABMiller.

Falk’s work on that deal underscores the global nature of M&A competition.

SABMiller was also represented by New York firm Cleary Gottlieb Steen & Hamilton and London-based firms Linklaters and Hogan Lovells. AB InBev, meanwhile, turned to New York’s Cravath and Sullivan & Cromwell in addition to Magic Circle firm Freshfields.

“We were talking about what has become a pretty well-embedded Chicago company in MillerCoors, and yet we had a Denver company buying out a piece from a Brazilian and Belgian seller,” Falk said.

Falk also led Kirkland’s team on a \$700 million-plus deal to sell cybersecurity company Trustwave Holdings and a nearly \$530 million acquisition by Fortune Brands Home & Security.

NY to CHI: Skadden

While Kirkland’s M&A practice has more recently traveled from Chicago to New York, Skadden’s local office is a story in reverse.

It is the only New York-founded, elite M&A shop to set up a Chicago office. And it did so in 1984, when a group of Mayer Brown lawyers unfurled Skadden’s red banner.

Today, Skadden’s local office benefits from its firm’s brand name in the M&A space — Skadden ranked No. 1 in M&A by volume last year, the first law firm to advise on more than \$1 trillion worth of deals, according to Mergermarket. Brian Duwe, head of the firm’s Chicago M&A practice, agreed that the cohort of financial services firms in New York has helped law firms gain notoriety in the practice.

“It’s logical that as an extension of that, law firms that have grown up in New York and focused on M&A figure prominently in the statistics across the country,” Duwe said.

But Skadden also benefits from longstanding client relationships with local companies. One case in point: CF Industries, which the firm advised on an initial public offering in 2005 and in a nearly \$8 billion transaction last year.



Brian Duwe, Skadden.

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The office's biggest deal of the year came from Lake Forest-based pharmaceutical firm Hospira Inc., which Skadden represented in its \$17 billion sale to Pfizer.

Among firms with an Illinois office, Skadden advised on the second-highest dollar amount of deals that included an Illinois company last year, \$55 billion, says Thomson Reuters. It was the only local firm to see that figure decline in 2015 compared to 2014, although that was largely a factor of its success in 2014, when it led all firms in that value category.

For Skadden, the Chicago office allows inroads to the broader Midwest. An example of that is Ball Corp., which the office has represented for more than 15 years. The office's relationship with the food and beverage packaging company began when it was headquartered in Muncie, Ind. It's now a Colorado-based shop. Skadden's Chicago office, led by Charles Mulaney, advised the company last year in an \$8.4 billion deal to acquire UK-based Rexam Plc.

Duwe said that is an example of the "Midwestern ties" his office created with many clients. He said Skadden's Chicago office is proof that geography — or a lawyer's proximity to a client — can make a difference.

"I don't think it's true that we could all do what we do — or Skadden could be what it is — if we put all our lawyers in one city and had really great technology to connect us," he said. "I think it's very important that we are physically in the markets we are in to connect us to our clients around the globe."

A hometown focus: Sidley

Sidley's Chicago office holds the largest portion of the firm's approximately 250 M&A attorneys.

Last year, those lawyers capitalized on deal work stemming from a host of longtime local clients, most notably Schaumburg-based Catamaran Corp., which the firm represented in two acquisitions totaling more than \$600 million before advising the pharmaceutical benefits manager on its \$13 billion sale to UnitedHealth Group Inc.

The firm has benefited from General Electric's decision to shed its finance business, representing GE Capital in a number of sales. Brian Fahrney, Sidley's Chicago-office corporate and securities practice leader, represented GE Capital in its \$12 billion sale of a business that provides financing to middle market private equity firms.

Paul Choi, a local M&A partner, said the firm's Chicago office represents a list of more than 100 public companies, the majority of which are Chicago-focused. Those connections resulted in 14 local deals during the 12 months ending in October — the second most of any firm, behind only Kirkland. The office advised on five deals worth more than \$2 billion.

While Sidley worked on a high number of Illinois-centric deals, it was absent from the \$20 billion-plus megadeals. That helped suppress the total value of the deals it advised on, \$39 billion.

Choi said the firm has been working to bolster its M&A



Olivia Tyrrell, Baker & McKenzie.

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practice to better compete with New York-based firms. It made some headway on that last year when it lured the head of Simpson Thacher & Bartlett's Los Angeles office, Dan Clivner.

Currently, he said the firm handles about three deals in the \$10 billion to \$20 billion range; a dozen from \$1 billion to \$10 billion; and the majority of its roughly 100 deals a year are worth less than \$1 billion.

"We work on deals periodically that are in the \$30 billion range. Would we like to work on those sized transactions on a more regular basis? Of course," Choi said.

"We just need to continue to build on those types of deals and have the kind of relationships with companies and directors that when the \$50 billion deal comes up, they've worked with us on deals of comparable size and they're comfortable with us."

Cross-border focus: Baker & McKenzie

Baker & McKenzie ranked No. 3 among law firms ranked by the value of Illinois-centric deals they advised on in the year ending in October, slotting just behind Skadden with \$54 billion worth.

With 77 offices, Baker & McKenzie stresses the decades it has spent slowly crafting a global law firm that provides a unique service for cross-border deals. Thomson Reuters ranked the firm No. 1 in cross-border representations in 2014, which was also the 10th year in a row that the data collector said Baker & McKenzie ranked No. 1 in the value of emerging market deals it advised on.

Its global reach was evident when the firm's French office provided counsel on a portion of a sale of Glenview-headquartered Anixter International's fastening systems distribution business to American Industrial Partners for \$380 million.

Representing a local company like Anixter in a far-flung place like France is a common theme. Baker & McKenzie says it represents more than two-thirds of Chicago's 25 largest publicly traded companies, and it represents 10 of those clients in more than 30 countries. Half the firm's fees come from clients that use its lawyers in 15 countries or more. Its global M&A practice had 486 partners, as of November.

One partner who exemplifies the office's global staffing model is Olivia Tyrrell, a Chicago-based rainmaker who has advised Abbott

Laboratories and other pharmaceutical firms in some of the biggest deals in that industry over the past two years.

She has managed global deal teams of more than 1,000 lawyers in 50 countries. Most recently, deals of that scope have involved her work representing Merck & Co. on the sale of its consumer-care business to Bayer AG for \$14.2 billion.

"With that structure, I'm helping to design the efficiencies, the rules of the road, and how we want everything implemented at the local level and then dealing with the higher level issues that flow up to me," Tyrrell said.

The firm's highest-level M&A priorities will now flow up to Mike DeFranco, named the firm's Chicago-based global chair of M&A in November. He said competition for cross-border work is growing as more and more deals involve a global component.

"We do see more and more firms who are putting themselves forth, trying to build their firms, continuing to build their firms and their expertise in this area," DeFranco said. "It is certainly not a time to be complacent in the M&A market." ■

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