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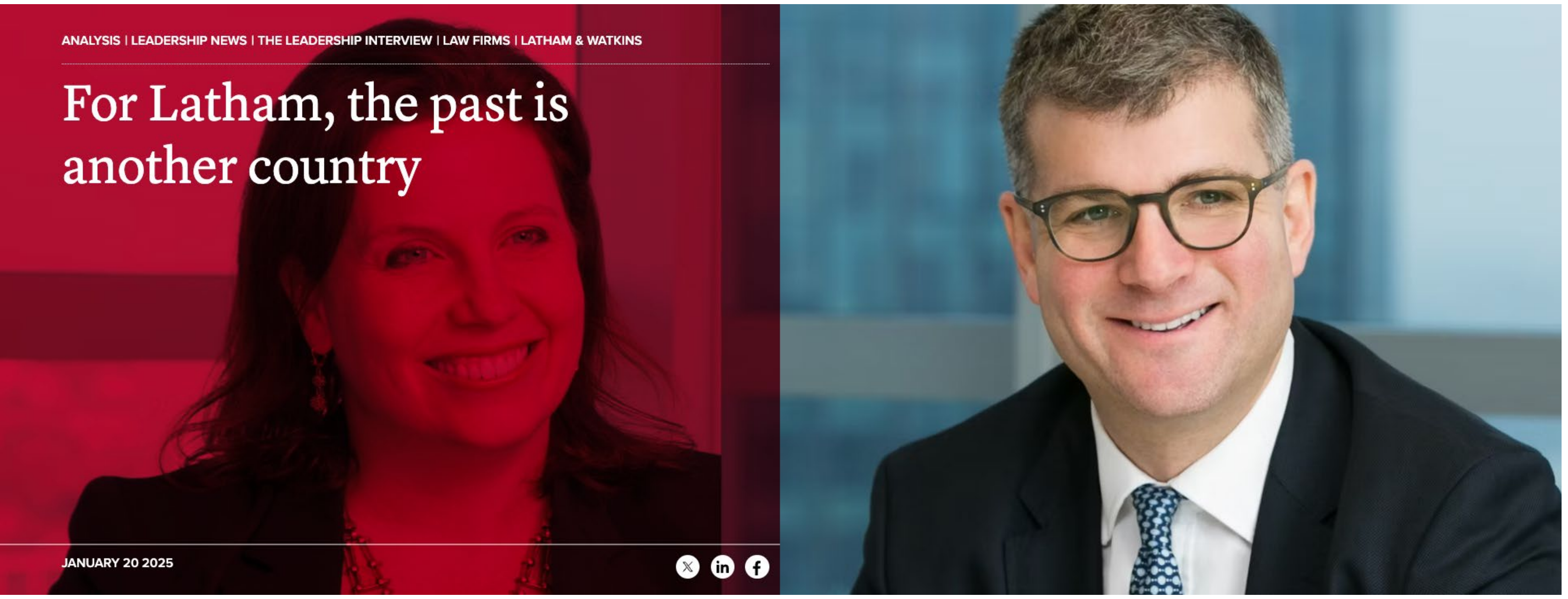

Written by Matt Byrne, Director of Insight

Just a couple of weeks into 2025 and Latham & Watkins' new London boss has already forgotten about 2024.

"In terms of deal flow, the year ended very well and 2025 has started strong," says Latham London managing partner and M&A specialist, Ed Barnett, in a conversation with The Lawyer alongside deputy London head Andrea Monks. "But that's 2024. Now we've got to go out and build it all again. It's like, if we were a football club and we won the Premier League, we wouldn't be saying 'let's just bask in our glory for a few months'. No. It was a fantastic year, but we've got so much more to do, so much more that we want to achieve."

Indeed. Latham is said to be the kind of place where dwelling on the past is not exactly encouraged. But there are particular reasons why Barnett could be forgiven for forgetting about 2024. Most notably, and unusually for Latham, the year was characterised by a string of exits including a group that recently extended to nine partners to Sidley. But more on this later.

There is little doubt that from a work perspective, Barnett can point to "fantastic momentum" and "a fantastic year" both in London and globally for Latham's deals teams, having closed several big-ticket matters leading up to year-end. As a consequence, Latham recently ranked first for UK M&A by deal value in LSEG's FY 2024 league table and advised on around half a dozen $1bn+ deals in the final two months of the year alone.

Highlights include advising: TI Fluid Systems on the £1.039bn acquisition by ABC Technologies; Anglo American on the $3.775bn sale of its steelmaking coal business, and on the sale of its 33.3 per cent minority interest in Jellinbah for A$1.6bn (approximately US$1.1bn); Miniclip on its $1.2bn acquisition of Easybrain; and DAZN on an agreement to acquire Foxtel Group from News Corp and Telstra at an enterprise value of $2.2bn.

Other chunky deals for Latham earlier in 2024 include advising EQT, CPP Investments and Nord Anglia Education on the sale of Nord Anglia Education for an enterprise value of $14.5bn; CVC on its recommended £5.4bn offer, in a consortium with Nordic Capital and ADIA, for Hargreaves Lansdown; and Darktrace on its recommended takeover offer by Thoma Bravo.

The expectations at Latham are that the level of activity seen in 2024 will continue into 2025, not least because of the clarity and outcome of the US election, although depressingly there will no doubt also be all sorts of geopolitical shocks out there over the coming months lying in wait to give markets the jitters. Nevertheless, Barnett is optimistic about the prospects for 2025 and underscores how strong an end to the year Latham's London office had.

"December is always a really busy month because, like most US firms, we're a cash-based business and so there's a focus on collections," he adds. "It was a very strong year both for the firm and for London."

Disputes, while not on the same scale in terms of headcount or revenue generation as M&A and finance, is also a significant component of Latham's London offering. Recent high-profile matters include advising Barclays in a £500m-plus securities claim, Unicredit on an unprecedented anti-suit injunction in the High Court and Court of Appeal, and Meta on several regulatory inquiries and disputes.

As litigator Monks points out, the disputes team has also seen some growth of late, adding partners such as white collar specialist Pamela Reddy from Norton Rose Fulbright in November 2023, competition partner Simon Pritchard from Linklaters in March 2023, and cyber litigation expert James Lloyd from Orrick Herrington & Sutcliffe in September 2021. In addition, Latham has also promoted seven litigation lawyers to partner over the same period.

Monks says that when she joined Latham from Hogan Lovells in 2018, the disputes practice was very different in size, shape and profile to what it is now.

"The firm took a strategic decision to grow our disputes practices through a series of laterals and a ton of internal promotions," Monks adds. "There's been a very, very big build-out. There are still a couple of areas where we think we might be strategic, a couple of specialisms we might hire into [these, sources suggest, potentially include competition disputes], but, largely, we think we have all the bases covered."

In 2023, according to The Lawyer's annual US 50 report, Latham's London office generated just shy of $750m, putting it second only to Kirkland & Ellis in that ranking. Average revenue per lawyer in 2023 stood at $1.5m (11th in that ranking) while average revenue per partner was $5.5m (14th).

While it is still premature to put numbers on Latham's results for last year, it looks a safe bet to say 2024 will prove to be its best year ever both in the City and worldwide. Latham's average profit per equity partner stood at $5.5m in 2023 but indications are that it will increase to above $6m for 2024.

Rewards and superpoints

More significantly, Latham shook up its remuneration system last year in a deliberate bid to reward its highest-performing partners and remain competitive at the top end of the global elite market, where $20m pay packets are becoming the gold standard.

The new system builds on Latham's core modified lockstep ladder, which runs from 350 to 900 points, adding in two new tiers at the top for exceptional performance. Partners on these tiers will now receive either 1,300 points or a maximum of 1,700 points.

In addition, the firm also continues to operate a discretionary bonus pool based on 15 per cent of profit, to top up pay for the firm's stars over and above their base compensation. Crucially, because partners on the two new tiers are paid with base compensation as opposed to from the bonus pool, a key impact of the overhaul has been to widen the range of partners who qualify for inclusion in the latter.

By adding two new unit levels, Latham is able to pay its highest-earning performers with more base compensation, therefore allowing a greater share of its partners to participate in the bonus pool. Partner participation in the bonus pool is set to increase by a significant number as a result.

This appears on the face of it to be a wholly positive development but most structural changes, and particularly those relating to compensation, tend to be tricky and sensitive to implement. The risk is always that someone, somewhere feels overlooked or left out.

Consequently, Latham insiders stress that the firm went to enormous efforts during 2024 to take soundings from across the business. The changes to the equity compensation structure were only made, they insist, after an in-depth review and extensive discussions, notably featuring in-person meetings in each office to ensure, "a transparent and thorough process".

The process also provided Latham's leadership with the opportunity to receive direct feedback from the partnership before moving forward. And, critically and as outlined above, the changes allow the firm to reward more partners, not fewer, in its year-end bonus process.

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Following a year when Latham saw a high number of partner departures, this is a fact the firm is willing to go to great lengths to underline. Latham parted company with more partners than any other competitor in London during 2024, with 13 partners exiting the firm, according to data from recruitment consultant Edwards Gibson. The departures notably included a stream of senior lawyers who have decamped for rival Sidley including former London managing partner Jay Sadanandan and fellow partner Sam Hamilton, a trend that continued this month with the exit of competition partner Elisabetta Righini in Brussels. In total, nine Latham partners have so far quit the firm for Sidley.

Compounding this issue is a sense from recruitment consultants that last year also saw an unprecedented number of Latham CVs out on the market. The compensation overhaul, in which a small number of partners saw their remuneration balloon into the double-digit millions of dollars, has been cited as a potential catalyst for untypically high numbers of people looking to leave.

Sources suggest there may be several camps among the partnership including those that have been "looked after" in terms of their compensation, those who think they are not being paid what they believe they are worth and so are on the market, and those who have been told to leave because they or their practice no longer fit.

While every firm needs to go through a process of recalibration and rejuvenation occasionally, the high number of Latham partners exiting during 2024 is unprecedented. Consequently, tongues are wagging.

"To me, it seems like a big shift in culture that has changed the fundamentals of why people are at Latham," argues one London recruitment consultant.

Not so, insists Barnett. He dismisses this criticism, insisting that this view is entirely wrong and that in fact, the new compensation system "barely caused a ripple" after it was introduced.

"Changes to the firm's equity compensation structure followed extensive discussions across all offices, allowing firm leadership to gather feedback and secure broad partnership support," says Barnett. "The changes allow the firm to reward more partners, not less, in our year-end bonus process. Our partner compensation is aligned with our values, promoting the right behaviours and fostering a culture of ambition, teamwork, and competitive drive, which enables us to attract and retain top talent who want to be part of and contribute to this culture."

Indeed, he argues that performing at the top of the market and rewarding appropriately is at the very heart of Latham's culture.

"I really think we've got something unique and special here," he insists. "It shows that you can be financially super successful while still having a culture of teamwork, excellence, ambition and drive. That's exactly what we've got. The cultural piece is absolutely important."

Another element of that notoriously tricky word to pin down – culture – is the balance between the rate of lateral hires and internal partner promotions. Monks points out that Latham currently promotes twice as many people internally as it recruits laterally.

"We think that two-to-one ratio in recent years is a really great sign of the health and maturity of the business, also the emphasis we place on nurturing home-grown talent," she adds.

Latham's London office houses around 1,000 fee-earners and staff in total, with some 600 lawyers and around 130 partners. It is Latham's second-largest in the network behind New York and pivotal to the firm's assumed inclusion in the emerging group of Global Elite firms.

Barnett's immediate priority for 2025 is to ensure that Latham's mainstays of its City revenue growth continue to motor. At its core, that means private equity, M&A and finance along with other related areas in which Latham has made a significant investment recently, such as equity capital markets that was evidenced by the hire of Freshfields big-hitting partner Mark Austin in June 2023.

Hitting financial benchmarks is also among Barnett's key aims and objectives, to which he admits he will to some extent be held accountable.

"Financial success and being financially robust as an office is important, though not to the detriment of other things," says Barnett. "We are as focused on strong financials and profitability as we are on unlocking the power of the platform we have built to add significant value to our clients."

For Barnett, that goes hand-in-hand with ensuring that Latham is a place where its people want to be. Which rather neatly bring the conversation back to last year's exits. How concerned is Barnett really about the exits?

"Of course, you're always disappointed to see people leave but everyone has different drivers, different pull and push factors," he points out. "We wish our former colleagues well, but we ended 2024 on an incredibly high note and are carrying that momentum into the new year."

This interview is one of a series of interviews with leaders that forms part of The Lawyer's Global Elite coverage.