

# RIDING THE HIGHS AND THE LOWS

*Posted on 24/06/2008*



Category: [Uncategorized](#)



**Despite the experience of an almost overwhelming first year, and the subsequent demise of big-ticket M&A, nothing yet requires change in the Latham & Watkins business plan for Spain, says managing partner Jos   Luis Blanco.**

The last few years have seen considerable speculation surrounding likely new US corporate law firm arrivals in Spain. With interest surrounding not only who might arrive and the relative market demand for a new legal player, but also the suitability of the US law firm model in

Spain, and the ability of any firm to recruit a credible local figure to launch their operation.

White & Case, Shearman & Sterling and Orrick are often among those most regularly suggested as potential new arrivals so it was perhaps surprising that it was Latham & Watkins that opened its doors in Madrid and Barcelona in January 2007. More surprising still, say some, was the firm's ability to recruit big-ticket M&A partner José Luis Blanco, Head of Corporate at Cuatrecasas, to lead its Iberian entry.

Many in the market have since questioned Latham's ability to make a significant local impact, and to establish a practice capable of riding out the highs and lows of the Iberian economy. Eighteen months on, however, and Blanco is happy to report on the firm's initial success, and to demonstrate that predictions of Latham's demise in Spain have been greatly exaggerated.

## **Project Gillespie**

The business case for Latham & Watkins Spanish practice was compiled over a weekend in late 2006 to the soundtrack of Dizzy Gillespie's classic Have Trumpet Will Excite, reveals its author and now managing partner, José Luis Blanco.

'Gillespie envisaged a top-tier greenfield legal practice with a core focus on M&A, private equity and acquisition finance, which could capitalise on the increasing sophistication of the Iberian business market. And that remains the position,' he says.

There is no denying that Latham has at least found initial success in Spain.

'As much as I wish it wasn't true, they have clearly had an unbelievable first year,' says one senior partner at the Madrid office of a competing Anglo-Saxon firm. Despite only officially opening in January 2007, Latham & Watkins has already featured prominently among some of

Iberia's largest deals of the past year.

La entrada de Latham & Watkins en enero de 2007 fue quizás una sorpresa para el mercado jurídico español, así como también lo fue el fichaje del exdirector de F&A de Cuatrecasas, José Luís Blanco, como socio director de las oficinas de Barcelona y Madrid. Tras un primer año excepcional, José Luís confiesa que el proyecto es todo un reto y que consiste en consolidar el posicionamiento de la firma, crear un equipo, y adaptarse a un entorno de negocios cambiante.

The firm acted for US private equity (PE) giant, and established Latham client, The Carlyle Group last July on its debut Spanish €1.48 billion leveraged buy-out of Applus Servicios Tecnológicos – the largest single investment yet undertaken by a PE fund in Spain. It also acted for Iberdrola, another established client, in the series of acquisitions it undertook last year, and more recently for Repsol – previously one of Blanco's clients – in February's \$2.2bn (€1.5bn) sale of a stake in its Latin American subsidiary Repsol YPF to industrial operator Peterson Group, by size the most significant Argentinean M&A deal in recent years.

'Without a doubt we had a first year that exceeded all of our expectations, and many of these deals were planned and executed directly from our own offices,' says Blanco.

## **Willingness**

Prior to taking the lead at Latham in Spain,

Blanco was at both Cuatrecasas and Garrigues so he is well placed to assess the relative merits and demands of the different styles of practice.

His position at Cuatrecasas, he admits, was very comfortable on both a professional and personal level and that he had no problem rejecting early advances from Latham & Watkins.

'When I was first approached I had been recently promoted and I truly felt that I was contributing to the success of the firm in conquering the very highest levels of the Spanish legal market,' he says.

Nonetheless it was while undertaking a review of Cuatrecasas own strategic position that he began to seriously consider the potential of a start-up operation, he says. 'The attraction of something completely new, with the brand recognition of Latham, was clearly appealing. But nonetheless I still told them 'I am not your man.'"

But the idea stuck and when Blanco was again approached he was asked to draw up an ideal law firm entry scenario. It was a meeting and an outcome that was to eventually lead him to formulate his Gillespie plan.

'I was unexpectedly struck by the willingness I found in Latham to be prepared to come into the market without any pre-defined ideals, and to be ready to listen to outside opinions,' he says.

## **Target**

Latham's evolution from a Los Angeles-based firm, and subsequent national and international expansion, has instilled within it a flexibility and ability to adapt to circumstances, believes Blanco.

The firm officially has no headquarters. Latham's Managing Partner, Robert M Dell, is based in San Francisco, the Chief Operating Partner, Mark Newell, is located in Washington DC, and Leeam Black the firm's Chief Operating Officer is resident in New York.

But despite the West Coast origins he insists

that there is certainly no laid-back California air. 'Latham is not a law firm in which the partners can sit back and wait for work. Internal reporting is measured not along geographic or even practice lines but on individual performance.'

Only two partners are released of any client work targets, Bob Dell and Mark Newell. The remainder must aim for around 1,800 client hours per year.

'We have a very strong work ethos,' says Blanco. 'That helps to support a very flat management structure. There are very few layers. If there is an issue you are almost immediately talking with the Managing Partner.'

## Strategy

The firm's willingness to adopt a very narrow practice emphasis in Spain is what has helped Latham attain the recognition it has achieved so quickly, believes Blanco.

'It was key for the rest of the network that we offered credibility. It would not be in the firm's interest to be unable to offer a first-tier local practice, and to do that we had to be focused.'

Since launching, in Spain, the firm has targeted only what he regards as the key strategic corporate and finance issues. Ancillary areas such as employment, intellectual property, and real estate continue to be outsourced as required.

Blanco is keen to emphasise

also that

Latham has not opened off of the strength of one or two major clients, such as Carlyle, and that it is looking to build a practice advising top-tier local clients also.

'The top end of the market clearly has barriers to entry, but success is based to a large degree on individual lawyers with a solid track record of deals. In addition, internationally minded clients now want a law firm with a global reach and strong US law capabilities.'

The firm's entry in Spain, say some, was

greatly facilitated by the work of former Banco Santander Head of Legal for Latin America and formerly London based Counsel Juan Manuel de Remedios – who suggest some, laid the ground work for the firm's entry and helped target its current team.

Latham in Spain now counts two partners (Blanco and Antonio Morales) and around 20 other lawyers, most located in Madrid. What was important for Blanco however was the ability to do deals from the outset and to prove the firm's place in the market. 'Our own clients and those of Latham clearly took a gamble but it gave us the chance to show that we were capable of doing what was required.'

Latham in Spain is looking to succeed only on prestige and reputation, he says. 'We will grow to the size that we feel is necessary for the type of work we want to do and the type of clients we wish to serve. We're not looking to bring in teams of lawyers.'

✖ Latham has however made no secret that it is willing to compete on salary and to offer remuneration packages at the top end of the market. For a law firm with reported 2007 profits per equity partner of \$2.2 (€1.4m) Spain remains a relatively inexpensive market for junior lawyers, particularly when compared to the UK or Germany.

'The Latham & Watkins brand is undoubtedly an attractive one. We offer defined career paths and have made it clear to our junior lawyers that we are not going to bring in lots of lateral hires and limit their professional development,' says Blanco.

Nonetheless some suggest that Latham is still missing important pieces of the practice jigsaw, notably credible tax, finance and competition expertise. Since launching the only senior hires have been of energy partner Antonio Morales from Lovells, and corporate Of Counsel Lorena Vázquez from Clifford Chance.

The lack of specific tax and finance capability is something that Blanco accepts. He states however that such expertise has always been a requirement of the Latham plan and that

the firm is already out looking for talent. 'We are not looking for dramatic growth, but we expect lawyer numbers to rise to around 25 by the end of this year.'

Despite the premium currently being placed on competition expertise among many transactional firms this is not however an area in which Blanco says he is placing significant recruitment emphasis. 'We are able to draw on the expertise of the firm's Brussels practice, which already includes Spanish qualified lawyers.'

## **Pace**

Blanco is measured therefore about the firm's prospects in Spain, but others suggest that the prevailing international economic climate is not a kind one for the type of transactional and private equity-focused practice that he is looking to build.

'I imagine that Latham is suffering from the downturn as much, if not maybe more than the rest of us,' says one competitor Madrid managing partner.

The firm was very lucky in the success of its launch but eighteen months on the deal market has certainly changed, agrees Blanco. 'If anyone tells you that the same level of M&A activity will occur in 2008 as in 2007 then they are not telling the truth. The outlook is very different.'

The firm would in any event struggle to repeat the pace of last year, he says. 'I do not think that we could have got where we are any faster. Last year will go down as a record one for Latham & Watkins in Spain, I believe – it proved to me that the project was possible. But even if the credit crunch hadn't come, the long hours we were working and the strain of creating a new team meant that we would have had to calm down.'

He insists however that his lawyers are not sitting idle, and that the ability of the team means that it can adapt to the prevailing economic environment.

'An anti-cyclical practice for me is not one that has large teams of lawyers competing for

dominance, but one in which individual lawyers can change from doing acquisitions to restructuring or refinancing. I do not see a need to expand beyond what we are currently capable of undertaking.'

## **Mid-size deals**

Despite such flexibility a key demand placed on Latham's lawyers is to go out and find work, says Blanco, and the current market slowdown is a good time to increase both client opportunities and practice efficiency.

Alongside consolidating relationships with current and potential clients, and taking the time to build the firm's internal know how, his lawyers are still doing deals for the same target clients, he says.

'We make clear that we have a cost, that we are not looking to enter into discounts, or to move outside of our defined focus. There is always an element of trial and error but we have to be content to set limits below which we will not go.'

He is coy however about whether the firm will now target mid-size deals, saying only that it is important not to send out mixed messages to the market.

'We want to keep doing top quality work. Size is not the determining factor in whether we undertake a deal, and we will of course advise on mid-cap deals if it is of strategic importance to the client.'

Among the recent assignments, he highlights, the firm's involvement in the restructuring of Europe-based, and longstanding Latham private equity client, Electra to create Cognetas.

## **Sophistication**

The ultimate goal however is to capitalise on the growing sophistication of the Iberian business market which, believes Blanco, will demand greater specialisation and lead to further segmentation of the legal market.

'So long as the domestic law firms retain the glue that holds them together they will keep



their share of the market because they are so linked to the economic success of the country. They have brilliant lawyers, but predominantly servicing local clients locally, and these are not models that are easily replicated internationally.'

In any event, he sees increasing opportunities as clients work with a wider range of law firms, particularly as conflict issues become more evident. It is an issue that Latham's total 2,100 lawyers must also face.

In the Iberian energy sector alone Latham has represented Iberdrola, Repsol and Italy's Enel (alongside Cuatrecasas in its €35 billion joint bid for Endesa). 'Conflicts are a constant and difficult issue. We align to Latham's strategic goals worldwide and so accept that if we have particularly deep penetration with one client it makes it difficult for us to work with others in the same sector,' says Blanco.

✖ It is believed that the firm is nonetheless well placed to capitalise on continuing crossborder opportunities, and Blanco is clearly confident that his plan is playing out as he had hoped. For the time being he sees no need for change.

'We are extremely confident with both the current size of the firm in Spain and our model. We are not looking to develop full-service practices or to replicate the models of other global firms, but neither are we a boutique. We are content to be able to do two or three deals at any given moment, and to grow with the experience of the lawyers. Size is not an issue for us.'

The success of Blanco's project, like that of its namesake, will be determined ultimately therefore by Latham's ability to combine influences and to capitalise on a hopefully increasingly more discerning audience.