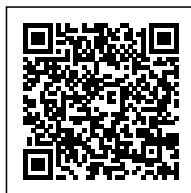


# THE YEAR OF LIVING DANGEROUSLY: ASHURST

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**Ashurst's pre-emptive emphasis on distressed debt and refinancing issues has helped shape not only its response to the global downturn in M&A and leveraged transactions, but also strengthened the firm's focus towards the domestic Iberian market, says Madrid managing partner Gonzalo Jiménez-Blanco.**

The dramatic events of the past year have helped demonstrate that nothing can be taken for granted in the business world, says Gonzalo Jiménez-Blanco managing partner at Ashurst. "Even the biggest companies are clearly not immune to the issues that we have seen unfold in recent months. We are now structuring deals in a way, and with clauses, that we would not have considered a year ago."

Given such turmoil, it has clearly proved an interesting period in which to take over the management

of Ashurst's operations in Spain, and to now have responsibility for planning the firm's future local strategy.

## Reinvention

Located on Alcalá, adjacent to the Bank of Spain in the heart of Bourbon Madrid, Ashurst blends both the modern and traditional law firm worlds. The London-based firm dates back almost 200 years albeit the Spanish arm was established in 2001, following the wave of expansion that saw the major City law firms flood across Europe. Today the firm counts 8 partners and around 50 lawyers.

Since being appointed in November 2007 the Madrid office has maintained its success but also had to face up to new and different challenges.

“I think that we may have previously been perceived in the market as too English. We were always dealing with the major international banks and financial institutions but almost all of the clients came via London.”

What some may once have perceived as a “stuffy” English firm has capitalised on its international growth to reinvent and reinvigorate itself, says Jiménez-Blanco. “Ashurst Morris Crisp was perceived as a very London-centric law firm but it had the vision to change, to put more emphasis on operations outside of London and to adapt to the times and the world.”

La expansión internacional de Ashurst, incluyendo España, en los últimos años, ha aportado vitalidad y una nueva dirección a la firma, según opina Gonzalo Jiménez – Blanco, Socio Director de la oficina de Madrid, pese a que éste sabe que el camino no ha estado exento de retos y reconoce que el próximo año va a ser un desafío tanto para la empresa como para los clientes.

The firm's London management, particularly the outgoing senior partner Geoffrey Green, may have driven the firm's European growth but it has clearly benefited also from ideas originating well beyond the City.

The firm rebranded as Ashurst in 2003 under the guidance of its former global marketing manager Marina Galanti (who was previously with Benetton) with each partner receiving a range of coloured business cards to reflect their prevailing mood. But behind the united colours of Ashurst and the still difficult to pronounce name there is considerable substance too, emphasises Jiménez-Blanco.

“Europe has played an important part in creating a new direction for the firm – particularly the input of the Paris office – but collectively all of the new offices have helped give Ashurst a new flavour,” he says.

## Going native

The appointment of Jiménez-Blanco to replace public markets and M&A-focused Steven Fox as managing partner may have surprised some outside of the firm, who suggest his key strength lies in mastering the detail of transactions. But there is no doubting the breadth of his reputation in complex banking and finance issues or the depth of his experience, and to date he remains the only former in-house lawyer to manage a major Madrid law office.

Having initially qualified as an Abogado del Estado Jiménez-Blanco, was head of legal at the Instituto de Crédito Oficial (Spanish State Finance Agency) and deputy head of legal at the Comisión Nacional del Mercado de Valores (Spanish Stock Market Regulator) before he joined telecoms company BT Ignite España in 1999, as General Counsel and subsequently BT Ignite Regional Counsel for Southern Europe.

He joined Ashurst in October 2002, recruited by the then managing partner Duncan Stiles, as the

office's third partner following the earlier arrival of Jesús Almoguera (now head of corporate) and his team from regulatory and corporate boutique Ariño y Almoguera.

"My decision to move from a government role to an in-house role was without a doubt a major challenge," says Jiménez-Blanco. "It meant a very different way of looking at issues and doing things and which I think was ultimately much more difficult than my move to Ashurst."

Life within a law firm albeit even with the tremendous pressures involved is much preferable to any of his previous roles, he adds. In any event a career in private practice seemed inevitable. His father was a lawyer and politician in the 1977-1982 transition period, and one of the founders of what is now Pérez-Llorca. Two of his brothers are also lawyers: José Ignacio, a partner at Clifford Chance, and Antonio, a public law professor and consultant with Allen & Overy.



"I think that I would have always ended up at a law firm, where I think there is a greater variety of work and of contact with different types of clients," he says. "The level of professionalism here is very high but also I think there is a greater emphasis on solving issues. Many in-house legal departments are still perceived as mere cost centres - which is now changing - but here there is a very clear responsibility to go find the work and to demonstrate value."

## **A different sell**

Since stepping down as managing partner Steven Fox has returned to London but is still actively involved with events in Spain, says Jiménez-Blanco.

Some outside the firm suggest that Fox remains a vital member of the team for his ability to "oil the wheels" behind the scene and he continues to attend partner meetings. The appointment of Jiménez-Blanco has however clearly helped to reduce the perception of Ashurst in Madrid as a satellite of the City "mothership", a sentiment with which Jiménez-Blanco perhaps surprisingly agrees.

"Without a doubt Steven helped to drive the change towards a more Spanish-style and both he and Duncan Stiles before him always accepted that this had to be an international law firm but with a local face. We had to have cross-border ambitions but also to deliver at a high level domestically."

Internally there may have been no doubt as to the quality of the lawyers and the offering of the Madrid office, but the sell externally has proved more difficult at times, admits Jiménez-Blanco. "I think that we may have previously been perceived in the market as too English. We were always dealing with the major international banks and financial institutions but almost all of the clients came via London. Now the reverse is true. The vast majority of our clients, up to 80%, are locally generated."

The period in which he first joined Ashurst was a particularly challenging one, he says. "We were relatively unknown, unproven and potential clients were inevitably sceptical, but there was a clear change in the summer of 2004 when the Spanish private equity boom began to take hold."

A large element of the office's subsequent strategy, and success, was built around the specific M&A, leveraged finance and banking expertise of Fox, Almoguera and Jiménez-Blanco.

The firm notably featured in two of the largest public to private equity transactions of recent years: advising Credit Suisse First Boston and JP Morgan as backers to the €4.35bn leveraged buyout of ticketing company Amadeus; and JP Morgan, Royal Bank of Scotland (RBS) and ING through PAI and Permira's acquisition of clothing chain Cortefiel. In addition the firm also regularly advised London clients such as Cinven, Apax Partners and Lehman Brothers, and began to make inroads into the domestic Spanish finance community.

The firm's early focus extended also to energy, transport and infrastructure (ETI) projects, which all remain core areas of work. Jiménez-Blanco led the firm's advice to RBS, Caja Madrid and BBVA in relation to the €138m Madrid Plaza de Castilla interchange, and Banesto and La Caixa in connection with the Príncipe Pío interchange project. The office's reach was also extended to advising on concessions in Mexico City and a new Spain–France high speed railway connection.

The projects work may continue but Jiménez-Blanco is under no illusion that Spain's private equity boom is over – a development that has helped reaffirm the offices' decision to focus more towards the domestic business community. Its operations also now extend across to Portugal where it works with different local firms along specific practice and project lines, he says – including most recently, Macedo Vitorino & Associados on infrastructure issues.

"Without a doubt the dramatic downturn has much to do with the wider economic and market situation. There are fewer cross-border and highly leveraged private equity and M&A deals, and the office has inevitably had to rely less on the work being fed to it by the network."

In any event Ashurst is now a very different sell locally, he adds. "Companies are clearly now very comfortable with the firm and the brand, and they know that they can rely on what we can do for them."

## **Anticipation**

Jiménez-Blanco is more cautious than optimistic about Spain's short-term economic outlook but is nonetheless confident of the ability of Ashurst to feature among its major legal players, regardless of events outside the office.

He sees the domino effect currently impacting on Spain's real estate and construction companies as prompting continuing demand for restructuring and insolvency work, and perhaps also for new areas of legal expertise.

The emerging thinking among some in the legal market is that Spain's banks and cajas may no longer be willing (or able) to continue to absorb the losses consistently being incurred by domestic companies. But while the international capital markets may not have responded wholeheartedly to the prospect of more rights issues, Jiménez-Blanco suggests that we may yet see banks looking to reinforce their cash reserves.

He points to Banco Santander's €2bn sale and leaseback of its 1,150-strong branch network last December – a deal in which Ashurst advised the acquirers Sun Capital Partners and Pearl Group – as perhaps providing an alternative option. "Albeit that deal presented challenges, there is no doubt that in structuring any new deals lawyers will have to consider many factors that simply weren't there last year," he adds.

In any event, a continued flow of sale and leaseback transactions may not find the same asset hungry audience, there are fewer buyers with the available cash, and not all banks can any longer guarantee a commitment to very long-term tenancy agreements.

Ultimately what continues to differentiate Ashurst, believes Jiménez-Blanco, is the firm's efforts to anticipate market requirements. The early emphasis on private equity was a success, as is the current focus on distressed debt, he says. "Whether it was luck or judgment, we started promoting the practice about 18 months ago and already have been involved in around 12 deals over the year."

With a potentially worsening Iberian economy and banks perhaps less willing to consistently support companies' balance sheets deal flows may yet increase further, he suggests. "In the short-term we may see a slight slowdown as funds seemingly take a 'wait and see' approach, but only until asset values fall further."

Jiménez-Blanco questions however the relative merits of a wholesale strategic emphasis towards Sovereign Wealth Funds (SWF).

"Ashurst has offices in Dubai and Abu Dhabi which I think makes perfect sense for a London-based firm and particularly one with a focus on infrastructure projects. But as deals emanating from within that region

tend to be governed by English law on the finance side and local law domestically I am not entirely clear about the potential attraction for purely domestic Spanish law firms."

"This firm's senior management has always had the confidence that we could produce the desired results, which I think we have done. We will continue to prove ourselves within the network."

Even with rumours circulating of SWF interest in Spanish opportunities other Madrid lawyers question also the appetite of local companies, and firms, to deal with funds emanating from the Middle East. "Inevitably people are cautious and those of us with long memories will remember dealing with the issues surrounding the activities of the Kuwait Investment Office (KIO)," says one. Indeed, Madrid's Torres KIO – Puerta de Europa – remained for a long time a potent symbol of the unsuccessful 1990s wave of Middle East investment.

In any event, the recent high profile and equally unsuccessful experience of Spain's second-largest real estate company Colonial to negotiate a sale to the Investment Corporation of Dubai will prompt many to question similar strategies, suggest others.

Ashurst represented Colonial's shareholders throughout those negotiations as it sought to cover €6.4bn of its €9bn debt mountain. "As far as our experience is concerned the negotiations undertaken by Colonial shareholders proved frustrating, they eventually ran out of time, and many of the conditions were ultimately unfulfilled," says Jiménez-Blanco.

## Flexibility

Despite clear confidence in the abilities of the Madrid office to capitalise on the prevailing economic and business situation, Jiménez-Blanco nonetheless accepts that the Spanish legal market is increasingly competitive and more firms are now turning to restructuring, refinancing and litigation to counter-balance the fall-off in transactional work.

"There are a lot of players in the market but what is important is to demonstrate that you understand the background to a situation and any previous deals and that you have experience in all the areas required"

Ashurst, he says, has already been involved in some of the headline deals – notably Colonial, but also on the creditor side in the €5.2bn insolvency of Martinsa-Fadesa – and is seeing an upturn in litigation. The office is now heavily involved in the issues emanating from the European insolvency of former banking and finance client Lehman Brothers, and the selling of its products in Spain.

Such a rapidly evolving business and legal landscape inevitably means that clients have the potential to come up against each other, as acquirers, creditor or debtors, says Jiménez-Blanco,

although the issue is in some respects a positive development for his firm. "In the early years we rarely had to worry about them. I would prefer of course not to face conflicts but it is better to be a player in the market than not."

Another related, albeit equally delicate issue, is the greater emphasis being placed on fee collection. The Spanish business culture of a 90day payment period is not always conducive to cash flow, he suggests. "Lehman's credit rating was AA- prior to its collapse. While it is not easy to chase clients I think that everyone is now aware that we have to spend more time managing the process – delivering the services, invoicing and getting paid."

Despite the challenges that the past year has presented, and the firm's clients continue to face, Jiménez-Blanco is confident of Ashurst's flexibility, willingness to adapt, and ability to preempt situations.

"We cannot take anything for granted but law firms must be both cyclical and anti-cyclical, to be there for clients in the good and the bad times. This firm's senior management has always had the confidence that we could produce the desired results, which I think we have done. We will continue to prove ourselves within the network."