

Following 3 Decades of Growth, Sheppard Mullin Sees Revenue Rise 4.8% in 2022

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What You Need to Know

- Sheppard Mullin's revenue growth streak continued in 2022, up 4.8% to \$1.05 billion.
- PEP fell 6.5%, with investments in talent and new markets, and pressure on hours at year's end.
- Balanced practices and sector initiatives continued to drive demand in key areas.

Sheppard Mullin's revenue grew 4.8% to \$1.05 billion in 2022, while rising lawyer head count and expansionary investments drove declines in profits and net income.

"We had a fantastic growth year," Sheppard Mullin chair Luca Salvi said. "It was our 31st consecutive year of revenue growth year-over-year. We saw challenges, but we continued to focus on what was most important for us."

Profits per equity partner at the firm fell 6.5% to \$2.11 million, while net income decreased 1.3% to \$357 million against that revenue gain.

Revenue per lawyer nudged down 3.3% to \$1.16 million, as total lawyer head count ticked up 8.3% to about 909 lawyers. The firm's partnership grew 6.5% to 404 lawyers, with 5.6% growth in the equity tier to 169 and a 7.2% increase in the nonequity ranks to 235.

"We had a narrow decline in profits, including as a result of pressure on hours at the end of the year," Salvi said. "But we continued

to focus and invest in growth in our strategic areas and priority sectors. We invested in opening our Houston office. We invested in our associates, and we continue to pay market rate [compensation]. We also invested in the growth of our partnership and our staff."



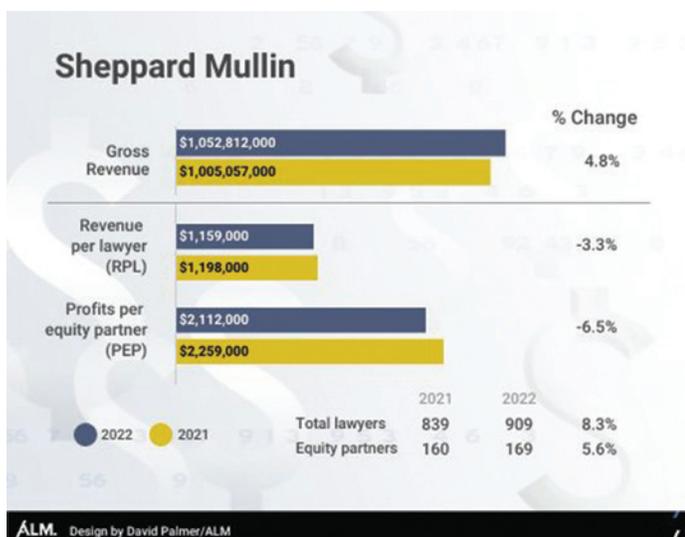
Courtesy photo

Luca Salvi, chair of Sheppard Mullin.

Expenses ticked up in 2022 compared with 2021, Salvi said, as people resumed more typical patterns of conducting business, which included a return to in-person meetings and various retreats and affinity group events. "That came back to increase our expenses, but that all bears real returns on the business," he said.

Salvi said that at this time, the firm has no plans for a dramatic reduction in head count in any practice areas for financial reasons.

"There was a lot of pressure in 2022 to continue to invest and grow. We approached that in a really sober way," Salvi said. "We did not look to overinvest. We're balanced in the right way given the outlook for 2023. When the economy does turn on again, we'll be in a prime position to



Sheppard Mullin year-over-year financial chart

capitalize on demand and we'll have the lawyers and staff to do the work."

Critical Mass

Much of the firm's hiring last year was in Houston, where the firm added lawyers from Norton Rose Fulbright, Winston & Strawn, Locke Lord, Haynes and Boone and McGuireWoods, and expanded its reach in Texas beyond its 5-year-old office in Dallas.

While Houston will remain a focus in 2023, Salvi said the firm was pleased with its launch and ability to "cherry-pick top-of-the-line lawyers" because of its transparency and the "ability to tell a story that partners believe in."

The firm aims to achieve a critical mass of about 50 lawyers when it opens a new office, Salvi added. "Once you get there, you get a mix of internal mojo and external presence, and the office tends to grow to its natural size in the market."

Austin is another market that is on the firm's radar for expansion, but so are a number of U.S. cities, Salvi said.

Priority Sectors

Sheppard Mullin's intentional balance between litigation, regulatory and transactions work, coupled with sector initiatives, helped the firm reach

pockets of demand in 2022. Salvi highlighted health care, renewable energy and life sciences as a few key sectors, which he said "helped the firm navigate the slalom course of the marketplace."

Last year, Sheppard Mullin's health care practice led VillageMD's \$8.9 billion acquisition of Summit Health-CityMD and served as lead anti-trust and health care regulatory counsel.

On the litigation front, the firm also secured a victory for AIS Healthcare in a case presenting novel and unsettled Article III standing issues, and obtained summary judgment in favor of Kaiser Foundation Health Plan in a case of first impression brought by the San Diego city attorney.

The renewable energy group helped NextEra in connection with tax equity investments for more than 5.3 GW of solar, wind and battery projects in 11 states.

In corporate, the firm advised Amazon Studios in its \$8.45 billion acquisition of MGM and served as counsel for TV series and feature productions. It also represented Arlington Capital Partners in an agreement to sell Octo to IBM, among several transactions the firm led for ACP and its portfolio companies.

In pro bono, Sheppard Mullin's attorneys provided legal assistance to refugees fleeing persecution from the Taliban after the U.S. withdrew troops from Afghanistan, and helped evacuating Ukrainians secure humanitarian aid. The firm also created The ABLE Project in partnership with Georgetown Law Center's Innovative Policing Program in 2020, which aims to create a national training program for law enforcement focused on active bystandership.

In 2023, the firm expects its countercyclical practices to get stronger, Salvi said, pointing to bankruptcy, private equity, litigation, labor and employment, and the government business group, which includes government contracts, antitrust and competition and white-collar practices.