Sheppard Mullin, Entering New 'Echelon' of Big Law, Surpasses $1B Revenue Mark

The $1 billion milestone reflects “a continuation of our growth story,” Sheppard Mullin chairman Luca Salvi said in an interview, noting the firm has grown organically, with no transformational mergers in 31 years.

By Jessie Yount

What You Need to Know

- Sheppard Mullin grew revenue nearly 16% in 2021, exceeding the $1 billion mark for the first time.
- Profits per equity partner climbed 12.9% to $2.26 million, as the firm added eight partners to its equity tier.

Sheppard, Mullin, Richter & Hampton, continuing a 31-year streak of revenue and profit growth, saw its revenue break the $1 billion mark for the first time in 2021.

Gross revenue rose 15.9% last year to $1.01 billion, while net income increased 18.7% to $361.6 million, allowing profits per equity partner (PEP) to climb 12.9% to $2.26 million.

The $1 billion milestone reflects “a continuation of our growth story. It’s a combination of our folks serving strong client demand, and our sound revenue generation and financial discipline that has given us success year after year,” Sheppard Mullin chairman Luca Salvi said in an interview, noting the firm has grown organically, with no transformational mergers in 31 years.

“Breaking the $1 billion revenue threshold is a continuation of that, but puts us in a different echelon of firms in competition,” he added.

Some Big Law firms have seen PEP jumps of more than 20%, in what some analysts have called an “aberrational year,” thanks in part to a surge in demand, which some believe is unlikely to continue in the future. And in California, law firms saw revenue grow by roughly 19% on average, while average PEP gains among California firms were more than 20%.

Salvi said, by comparison, Sheppard Mullin’s revenue and profit increases demonstrate consistent momentum. He noted that both 2020 and 2019 were remarkable years for the firm, in which revenue growth and PEP growth exceeded 8% and 11%, respectively.

2021 was a significant year in terms of head count growth, with Sheppard Mullin’s overall lawyer count rising 4.5% to 839 and revenue per lawyer increasing 10.8% to $1.2 million. The firm also grew its equity tier by eight lawyers to 160.

“With that growth in attorneys came a sizeable growth in staff to support them,” Salvi added, noting the firm hired over 350 employees in 2021.

Salvi said work increased across Sheppard Mullin’s transactional and litigation practices. In the firm’s corporate practice—it’s largest—demand was driven by middle market, upper-middle market, private equity and M&A work, including deals for health care and entertainment clients, he said.

The firm billed 1.7 million hours for legal services in 2021, up about 6% from the previous year, according to ALM Intelligence data.

Some of the firm’s significant corporate matters in 2021 included representing Landmark Health in the largest physician services transaction signed in 2020, in its $3.5 billion sale to UnitedHealth’s Optum.
the entertainment sphere, Sheppard Mullin also represented Amazon.com, Peloton Interactive, Netflix and Spotify in a variety of financing, M&A and licensing agreements.

Sheppard Mullin’s litigation group also advised Peloton in a patent infringement dispute against Villency Design Group, the former co-designer of the exercise bike, and secured a favorable award for client SecurityPoint Holdings, in a patent suit against the United States in which the client was awarded more than $100 million in damages.

The bankruptcy practice also had an active year, Salvi said, noting the firm advised Seadrill Partners’ conflicts committee of the board in one of the largest Chapter 11 bankruptcies last year.

Demand wasn’t limited to the firm’s U.S. offices. In Brussels, for instance, the firm represented Air France-KLM in securing approval for €4 billion to recapitalize the business and its subsidiaries.

In Sheppard Mullin’s London office, revenue doubled to $2.38 million. Salvi described the office as a “smaller, strategic” outpost that generates a lot of work for the firm within the United States.

Speaking to geographic growth, Salvi said he continues to work with an international committee at the firm on expansion in overseas offices in Brussels, London, Seoul and Shanghai. In the United States, the firm expects to continue to grow its Dallas, Chicago and Palo Alto outposts with the aim of reaching a critical mass of over 50 lawyers.

Once an office reaches a critical mass of lawyers, it achieves “a combination of internal mojo and external presence” that gives the office “their own independent energy” that serves as a “magnet” to the market, Salvi said.

Regarding expenses, Salvi said the firm’s margins demonstrate both top-line discipline as well as cost management discipline. In the past five years the firm has been able to fund increasing investments in its attorney base—including multiple rounds of raises to meet the market and above-market bonuses for high billers—by managing overhead expenses as a percent of revenue, he said.

The firm realized savings related to travel and entertainment amid the pandemic, but has “always been judicious” regarding investments in real estate and staffing, he said. It also has staffing teams devoted to pricing, HR, innovation and security, among other areas, that enable the firm to perform “at the top of the sophistication game in terms of running the business of law and selectively focusing investments where we think we need it most,” Salvi said.

Amid Sheppard Mullin’s hiring push in 2021, the firm made several changes to its leadership. Salvi himself became chair of the firm in October, succeeding Guy Halgren, who held the chairman role for two decades.

The firm also added chief business development and marketing officer Christie Caceres, who joined the firm from Sidley Austin, and appointed Lois Durant, its former director of diversity and inclusion and talent management strategy, its first chief diversity and inclusion officer.

While Sheppard Mullin has a “history of demonstrated leadership in diversity and inclusion” initiatives, Durant’s appointment was an “important, external signal to the market” that the firm will continue to move the ball forward with such initiatives, Salvi said.

Among the firm’s priorities for the future, Salvi noted plans for a more formal return to the office in the near future, with a teams-first approach that incorporates both flexibility and purpose while in the office.

Sheppard Mullin is also focused on “supercharging” certain practices, Salvi said, highlighting health care, private equity, renewable energy, consumer, life sciences and the government business group.

“Our practice mix is part of our gold standard that allows us to deal with whatever market changes take place. That has been true for us historically, but it will carry us into the rest of 2022 and 2023,” he said.