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Saul Ewing's Revenue Growth Pushes PEP Past $800,000

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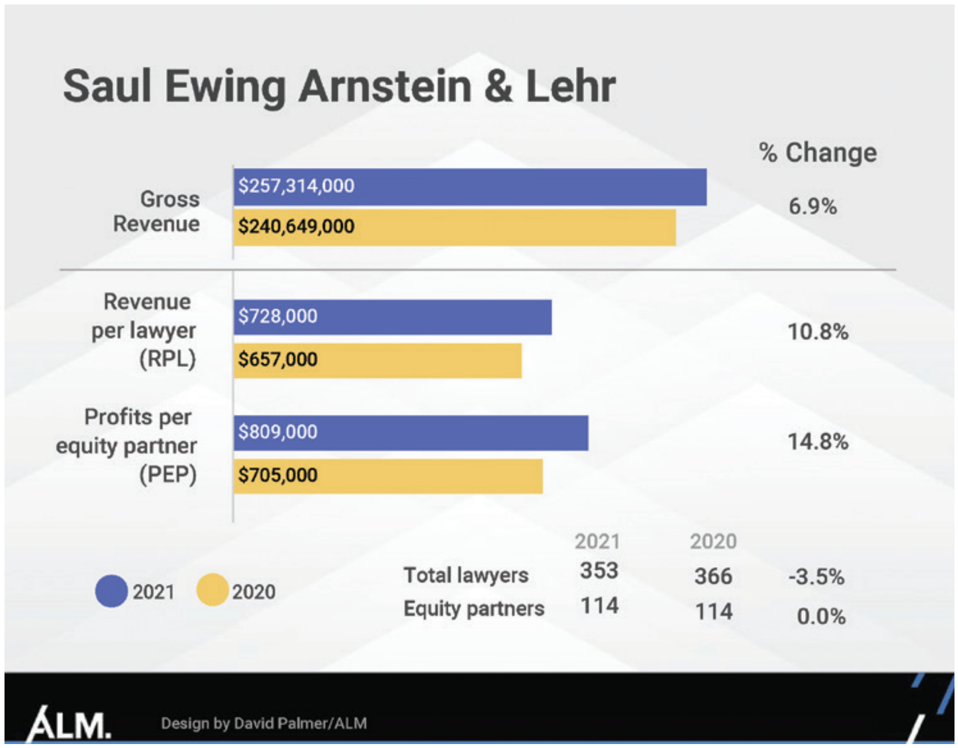

Following a flat revenue year in 2020, Saul Ewing Arnstein & Lehr turned more than a quarter-billion in top-line revenue into a 14.8% rise in profits per equity partner (PEP), which surpassed $800,000 for the first time in the firm's history.

Managing partner Jason St. John, who took over for Barry Levin earlier this year, attributed the firm's performance to a strong year across major practice areas combined with pandemic-era cost savings that carried over from 2020.

"It was a difficult year to budget for," St. John said in an interview. "We're proud of the success we had. We think it reflects the sustained growth of our people and our clients."

The firm grossed 6.9% more in 2021 than in 2020, reaching $257.3 million, a strong showing compared to the previous year's revenue growth of less than 1%, according to data reported by the firm.

Net income in 2021 grew by nearly 15% to reach the highest total Saul Ewing has ever achieved, $92 million. That yielded a $809,000 PEP when divided across an equity partnership that stayed flat at 114 lawyers.

Total lawyer head count at the firm dropped 3.5%, to 353 from 366, despite the firm's addition of 54 lawyers over the course of the year, according to St. John.

"In early 2021, we knew we'd have planned retirements and transitions," he said. "We planned on folks moving out of our percentage partner ranks. It's exactly what we would have expected."

St. John said total compensation for the nonequity tier dropped 7.2% to $25.6 million because the firm moved more people into its equity-holding ranks—or "percentage" partner ranks, as firm leaders refer to it—than ever before. Meanwhile, the number of nonequity partners decreased by four lawyers in 2021.

But compensation at the equity partner level was significant enough to push up the average compensation for all partners (CAP) at the firm 11.4% to $578,000. St. John said he's proud of the fact that a number of fixed-income partners started to develop practices last year, taking advantage of Saul Ewing's "entrepreneurial platform."

Firm leaders said billable hour rates increased in 2021 by 4%, though "strong client demand" was at the root of the firm's financial performance. A spokesperson for the firm said leaders expect rate increases in 2022 to be at about the same level as 2021.

Like many firms, Saul Ewing's financial performance was driven by lucrative years in the corporate mergers and acquisitions, securities, real estate and special purpose acquisition companies practices, St. John said.

He pointed to the firm's role as counsel to Supernus Pharmaceuticals in acquiring Adamas Pharmaceuticals for $450 million.

"There was not a group that had a down year," he said, noting bankruptcy as an area that was down for law firms in 2021, but not for Saul Ewing. "[Bankruptcy] has been very strong for our law firm. Our bankruptcy practitioners have been working on rather large bankruptcy cases and have sustained productivity as a result."

The firm has been going to lengths to promote itself as a thought leader in emerging practice areas. St. John pointed to Saul Ewing's sports and entertainment practice, which he said the firm launched in earnest in 2021 after "dabbling" in it in 2020. As a result, that practice group nabbed NASCAR and the NFL's Miami Dolphins as clients, among other sports entities.

With members of the firm's video gaming and e-sports practice, the firm launched a YouTube series called "Lawyers With Game," in which lawyers discuss major topics in sports and gaming with clients and industry leaders.

St. John predicted that with pent-up demand for trials across the country, litigation, which makes up about half the firm's practice, is going to have a strong year. As for the other 50% of the firm's lawyers who work on transactions, St. John said if the first quarter of 2022 has been any indication, demand for corporate and real estate work will continue on an upward trajectory.

The real estate practice recently closed a $250 million transaction for the redevelopment of the Philadelphia Naval Yard. In the SPACs practice, Saul Ewing has already represented Signal Hill Acquisition Corp. in the initial public offering of 10 million units at a price of $10 per unit, and Genesis Unicorn Capital Corp. in that SPAC's $75 million initial public offering of $7.5 million at a price of $10 per unit.

Firm leaders are budgeting for increases to both revenue and expenses in 2022, as professionals resume travel for client engagements, and compensation costs increase to pay for associates, counsel and new hires.

The firm has already made new hires as part of efforts to revamp the firm's professional development offerings, continuing an effort from last summer that included the recruitment of Chandra Kilgriff from Robins Kaplan as chief talent officer.

Most recently, firm leaders recruited a manager of diversity, equity and inclusion with the addition of Julicia James. The firm also created the role of director of coaching and well-being, appointing the firm's director of career development and inclusion Sheri M. Zachary to that job earlier this year.

"We knew as part of our plan to put our people first, besides adding a chief talent officer, we also wanted to hire a director of diversity, equity and inclusion to work with firm leadership and minority lawyers and women to offer programs to help retain and support our minority attorneys and women," St. John said.

The firm is also in the process of rolling out a hybrid work schedule for attorneys and staff. Referred to by St. John as the "Four Plus Four" plan, he said it encourages employees to come into the office on the four Wednesdays of each month, plus another four days out of the month of their choosing.

St. John said the plan was created in contrast to what firm leaders have observed about peer firms: those that have mandated two or three days per week in the office are reportedly struggling to enforce such requirements.

"People are frustrated," he said. "We wanted to avoid that."

The goal of the suggested schedule under "Four Plus Four" is to take advantage of the perks of at-home work, while maintaining a reliable critical mass of personnel on Wednesdays. Firm leaders aim to commence the plan May 3.

"We thought about the last two years and asked, what are the things we don't want to lose that we learned during the pandemic?" St. John said. "We gained valuable positives where we can be more efficient and use technology in ways that have been more cross-office and inclusive. We wanted to make sure we safeguarded that."

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